Vincent Price: lord of the Gothic kingdom
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FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND OCTOBER 30/OCTOBER 31 1993

Nippon Steel to shed 7,000 jobs in move to cut costs

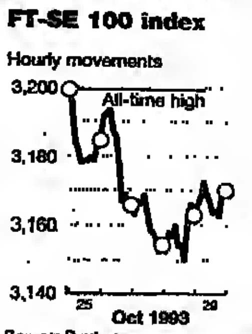
Nippon Steel, the world's largest steelmaker, is to shed 7,000 jobs in a further blow to Japan's employment market, which hit its weakest level for six years last month. The cuts, to be spread over three years, are the heaviest so far among Japan's top industrial companies as they seek to cut costs amid the worst recession for 20 years. Nippon Steel blamed the cuts on the rising yen and a reduction in domestic demand for steel caused by a shift of production overseas by its car and consumer electronics industry customers. Page 2

Nissan Motor, Japanese carmaker, reported a drop in first-half sales and forecast that it would not make a profit in the year to March. The group aims to cut 5,000 jobs over three years. Page 10

British Gas wins pipeline contract: British Gas and US energy group Tenneco won a contract to operate a $1.65bn (£1.1bn) project to pipe natural gas 750 miles from Argentina to Chile. Page 2

Malaysia budgets for expansion: Malaysia has unveiled a mildly expansionary budget for next year, with substantial increases in development spending. Page 2

Footsie retreats 28 points on week



FT-SE 100 index
Hourly movements
3,200 All-time high
3,180
3,160
3,140
25 Oct 1993 29
Source: Reuters

The FT-SE 100 index, which has see-sawed all week, influenced in turn by bouts of profit-taking by UK and then European and US institutions, moved up eight points yesterday to close at 3,171.0. Over the week the index retreated 28 points, or 0.9 per cent, from its all-time closing high of 3,199, as UK institutions began to lock in profits from the record strong performance of the market. London stocks, Page 13; Lex, Page 22; Markets, Weekend Page II

Hopes of interest rate cut dampened: Bank of England governor Eddie George damped speculation about an imminent cut in UK interest rates by suggesting it could jeopardise the goal of price stability. Page 22; Editorial Comment, Page 6

European plug plan could cost £20bn: Makers of standard square-pin UK electrical plugs and sockets are trying to kill a proposal for a common round-pin European system, which they say could cost as much as £20bn to introduce – about £1,000 for each UK household. Page 5

First skyscraper for Russia: Russian construction company Twentieth Trust Corporation plans to build Russia's first skyscraper in St Petersburg. The £40m cost will be financed through Russia's fledgling securities market.

Hungarian TV staff complain of bias: About 300 employees at Hungary's state television demanded the resignation of its president, claiming he had endangered democracy by suspending a news editor and replacing him with a pro-government journalist.

Pay rise for British MPs: British Members of Parliament are to be offered a two-stage pay rise that would increase their salaries by nearly 5.5 per cent. Page 5

Stolen works of art recovered: Italian police recovered more than 1,000 works of art valued at £25m in Turin and Cuneo and arrested two people suspected of trafficking in stolen goods.

Police chiefs back Howard's decision: The Association of Chief Police Officers said it welcomed the decision of UK home secretary Michael Howard not to implement the most controversial proposed reforms of police pay and conditions in the Sheehy report. Page 5

Bank freezes small business tariff: Midland Bank stepped up competition for small business clients in the UK by freezing its tariff for the sector for a year. Page 4

Face of fortune: Turkish businessmen pioneering in the former Soviet republic of Turkmenistan gave the country's president, Saparmurat Niyazov, a gold mask cast in his likeness. The president has become the subject of orchestrated adoration since the country's independence two years ago.

STOCK MARKET INDICES

FT-SE 100:	3,171.0	(+8.0)
Yield	3.71	
FT-SE Eurotrack 100	1,374.61	(+5.13)
FT-A All-Share	1,565.37	(+0.2%)
Nikkei	19,702.97	(+223.52)
New York: lunchtime		
Dow Jones Ind Ave	3,685.90	(-1.96)
S&P Composite	467.60	(+0.07)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.069%
Long Bond	104½
Yield	5.956%

LONDON MONEY

3-mo interbank	5½%	(5¾%)
Liffe long gilt future:	Dec 114⅛	(Dec 114¼)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$15.53	(16.29)

Gold

New York Comex Dec	$368.6	(370.2)
London	$368.8	(369.75)

STERLING

New York lunchtime:		
$	1.4865	
London:		
$	1.4865	(1.492)
DM	2.4975	(Same)
FFr	8.74	(Same)
SFr	2.2075	(2.2025)
Y	161.25	(161.5)
£ Index	80.8	(80.6)

DOLLAR

New York lunchtime:		
DM	1.67915	
FFr	5.8895	
SFr	1.48625	
Y	108.375	
London:		
DM	1.6795	(1.6735)
FFr	5.88	(5.8575)
SFr	1.4845	(1.477)
Y	108.4	(108.25)
$ Index	66.3	(66.6)
Tokyo close Y 108.23		

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Catalogue of mistakes at Queens Moat

Hotel group brought to its knees by £1.2bn debt

By Maggie Urry and Peggy Hollinger

A CORPORATE horror story was unfolded yesterday when Queens Moat Houses published a 34-page catalogue of mistakes and mismanagement with its results for 1992.

The once high-flying hotel group formerly run by Mr John Bairstow, a typically aggressive 1980s entrepreneur, has been brought almost to its knees under nearly £1.2bn of debt.

Though some investors had become concerned by the company's rapid expansion, funded by high levels of debt and a number of rights issues, few were prepared for yesterday's revelations. One shareholder said yesterday, "there was no way you could have discovered what was going on from previous sets of accounts".

The revelations included alleged breaches of company law, including the unlawful payment of more than £20m in dividends; the earlier overstatement of profits; losses of more than £1bn and a £803.9m property write-down, and an apparent lack of financial controls. There were minimal reporting systems, a scarcity of management information and no monthly consolidated accounts. There was no clearly defined treasury function.

These revelations could lead to an investigation by the department of trade and industry, although the company has not requested one.

Legal action against the group's former advisers, and directors is under consideration by the new management team – probably over the question of the dividend payments.

The former advisers included Bird Luckin, the auditors, Charterhouse Bank, the merchant bank, Beeson Gregory and De Zoete & Bevan, the joint stockbrokers. All either failed to return calls or refused to comment.

Mr Bairstow admitted the group had got out of control but defended himself yesterday blaming the spirit of the times. "The sheer size of the growth in the 1980s was such that it would take care of any mistakes," he said.

He said he was "perplexed" by the £1.1bn difference between a property valuation by Weatherall Green and Smith at the end of 1991 and that by Jones Lang Wootton at the end of 1992.

"With so much at stake and with such a vast difference in the valuations the issue should go to arbitration," he said.

Mr Andrew Coppel, QMH's new chief executive, said he could not comment on the differences, but said the JLW valuation had been subjected to lengthy and detailed

Continued on Page 22
Reports and background, Page 8
Lex, Page 22
London stocks, Page 13

- DTI and Stock Exchange told of more than £20m in unlawful dividends paid in 1991, 1992 and 1993
- 1992 pre-tax loss of £1.04bn. Exceptional losses of £939m including £803.9m write down
- 1991 profit £90.4m pre-tax restated as £56.3m loss
- 1993 interim loss £48.4m before tax
- Balance sheet July 4 1993 – net debt of £1.18bn, negative net assets £435.5m
- Legal action being considered against former advisers and directors
- Restructuring to be finalised by January 31, 1994, at a cost of £32m

Site chosen for central bank as summit settles wrangle over institutions

EC revives spirit of unity

By Lionel Barber and David Gardner in Brussels

EC LEADERS yesterday restored a semblance of unity to the European Community with a decision to base the future European Central Bank in Frankurt as part of a wide-ranging agreement on the location of EC institutions.

But the deal struck at a special European summit in Brussels followed an acriminious battle over the division of Euro-spoils which included veto threats by the UK and Spain.

The summit chaired by the Belgian presidency of the EC was called to revive Europe's faltering progress toward greater political and monetary integration after the near failure to ratify the Maastricht treaty.

The choice of Frankfurt as the location for the European Monetary Institute – the forerunner of the European Central Bank – was seen as a minimum step towards rebuilding credibility in European Monetary Union after the August 2 currency crisis which led to the suspension of the ERM.

Germany, which stands to surrender the D-Mark under the Maastricht treaty at the end of the century, fought tenaciously for the EMI. Chancellor Helmut Kohl's argument that the choice of Frankfurt was necessary to reassure Germans about the loss of their symbol of post-war stability carried the day over reservations from France and the UK.

The Bank of England said last night the decision was "a pity, not for the City but for the EMI."

The EMI, whose president will be Mr Alexandre Lamfalussy of Belgium, is the institutional anchor for the second stage of EMU due to begin on January 1, 1994 under the Maastricht treaty.

With the treaty set to enter force on Monday, EC leaders used the one-day summit to pledge closer co-operation in foreign policy and the fight against organised crime, as well as a broad endorsement of the goal of a European monetary union by the end of the decade.

Meeting of minds: UK prime minister John Major (right) talks with Irish prime minister Albert Reynolds in Brussels yesterday — Reuter

Page 3

- Treaty celebrations give way to sober talks
- European Bank a boost for Frankfurt

- Man in the News .....Page 6

EC leaders steered clear of any new initiatives to tackle mass unemployment in Europe, preferring to wait for the European Commission's White Paper on competitiveness, employment and growth which will presented at the next summit in December.

They also avoided a damaging row over the Uruguay Round world trade talks in which France is holding out for more concessions on farm trade.

Despite relief that the log-jam ovar the location of more than 10 new institutions had been broken, there was also an air of contrition among EC leaders and a general admission that mistakes had been made before and after the agreement on the Maastricht.

Mr Jacques Delors, president of the European commission, said: "In future, all the EC's insititutions must be careful to be more transparent. This is a pre-condition for the progress of Europe."

During protracted lunchtime haggling yesterday, both the UK and Spain threatened to veto the sites package unless they got the European Agency for the Evaluation of Medicinal Products.

After several hours, the prize went to the UK which immediately praised the deal as creating several hundred jobs and confirming Britain as a world leader in the pharmaceutical industry. Spain was given two sites as the consolation prize – the EC trademark office and a new institution responsible for monitoring health and safety.

Leaders in new drive for Ulster peace plan

By Philip Stephens, Political Editor, in Brussels

THE British and Irish governments last night responded to the escalating violence in Northern Ireland with a new drive towards a political settlement.

Mr John Major and Mr Albert Reynolds agreed during talks in Brussels to speed up work towards a framework agreement to persnade Ulster's constitutional parties to return to the negotiating table.

They rejected as a basis for peace the conclusions of recent talks between Mr John Hume of the SDLP and Mr Gerry Adams of Sinn Féin. There could be "no question" of the two governments adopting or endorsing Mr Hume's report of the dialogue. That report was passed yesterday for the first time to Mr Major by Mr Reynolds.

A joint communiqué, however, released by the British and Irish prime ministers after their meeting, left open the possibility of Sinn Féin being brought into the peace process if and when "a renunciation of violence had been made and sufficiently demonstrated". In those circumstances "new doors coold open".

At the end of a week of the worst sectarian violence for two decades, the two leaders condemned the tit-for-tat

Continued on Page 22

Go-ahead for Jubilee Line extension into Docklands

By Charles Batchelor and Andrew Baxter

THE government gave the go-ahead yesterday for the £1.9bn London Underground Jubilee Line extension following a High Court ruling which released Canary Wharf, the Docklands property development, from UK insolvency legislation.

The announcement was accompanied by the award of orders worth more than £300m to GEC Alsthom, the Anglo-French engineering group, to supply rolling stock and power systems for the line. This is tha first of the equipment orders to be announced.

A second order for £150m of construction work for BICC and AMEC was also signed yesterday. Further ordars will be signed over the next week taking the total "awarded and confirmed" to £900m, said Sir Wilfrid Newton, London Transport chairman.

The decision to build the Jubilee Line ends four years of negotiations. The government had insisted that the private sector contribute £400m to the link. But for the past 18 months Canary Wharf has been in administration and the development project's bankers said they would provide the funds only when Canary Wharf was restablished as a going concern.

Canary discharged without a flap.........Page 5

The extension will be one of the biggest construction projects to be carried out in Britain and is expected to create 22,000 building and equipment manufacturing jobs during the 4½ years of construction. Ninety per cent will be in the UK.

It is the first large-scale addition to London's Underground network in a generation. The national Council of Building Material Producers said the £600m of construction contracts already announced would increase infrastructure spending by 4 per cent for 3½ years.

The extension will run for 10 miles from Green Park in the west to Stratford in London's East End and involve the construction of 11 stations.

The journey time along the route, which passes under the River Thames four times, will be 22 minutes.

The line will make a large area of south and east London accessible by Underground and increase the ease with which travellers can reach the Canary Wharf development.

Some 7,000 people work at Canary Wharf and this number is expected to rise to 10,000 by the middle of next year.

Mr John MacGregor, transport secretary, said that securing the £400m private sector contribution had been "a long and arduous process".

Tunnelling is expected to start in the next four to five months. "It is a large and complex project, but we will build it well, on time and on budget," said Sir Wilfrid.

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr65; China Fen 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep CZK45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$18; Hungary Ft185; Iceland IKr215; India Rup40; Indonesia Rp3,800; Israel NIS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.800; Lebanon $US1.25; Luxembourg LFr65; Malaysia Rin4 50; Malta Lm0 60; Morocco Dh13 00; Nigeria Naira45.00; Netherlands Fl3.75; Norway NKr16.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4 10; Slovak Rep KSL45; South Africa R12 00; Spain Pta210; Sri Lanka Rup30; Sweden SKr15 00; Switzerland SFr3.30; Taiwan NT$85; Thailand Bht50; Tunisia Din1.250; Turkey L8000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Russian deputy PM milks poverty ticket

By John Lloyd in Moscow

MR SERGEI SHAKHRAI, a deputy prime minister and one of Russia's leading political figures, has sought to steal a march on other candidates in the forthcoming parliamentary elections - by declaring his poverty on the front page of the country's leading daily.

It is a move calculated to win support from a population deeply cynical about their politicians' ability to enrich themselves through office.

It comes as the Central Electoral Commission has declared 25 parties or groupings registered for the election so far - with many of the established and aspirant names in Russia's political scene evident among their leading candidates for the 450-seat State Duma, or lower house of the proposed new parliament.

The key groups are Russia's Choice, led by Mr Yegor Gaidar, the deputy prime minister; the Yavlinsky-Lukin-Boldyrev bloc, led by Mr Grigory Yavlinsky, the prominent economist; the grouping Civic Union in the name of Stability, Equity and Progress, headed by Mr Arkady Volsky, the industrialists' leader; the August party headed by Mr Konstantin Borovoi, the entrepreneur; the Russian All-Peoples' Union, led by Mr Sergei Baburin, the nationalist leader; the Movement for Democratic Reform, headed by Mr Gavril Popov, the former mayor of Moscow; and Mr Shakhrai's own Party of Russian Unity and Agreement - which, however, is not yet registered.

Mr Shakhrai's initiative appears to be an attempt to distinguish himself from candidates compromised by as yet unproven charges of corruption.

In a declaration which Izvestiya published as its lead story yesterday Mr Shakhrai revealed that he earns Rbs332,000 (about £187) a month as deputy premier; that he has two young children and a non-working wife who live in a three-room flat (but expect to move to a five-room flat); that he shares a Volga saloon with relatives and that "each member of the family has a bicycle;" that he has Rbs14,000 (£7.86) in the savings bank.

Mr Shakhrai admits that he has the use of a four-room state dacha, but adds that it lacks "a sauna, swimming pool, cook and servants," just in case anyone thought he was enjoying himself.

Japanese steel group to shed 7,000 jobs

By William Dawkins in Tokyo

NIPPON Steel, the world's largest steelmaker, is to shed 7,000 jobs, a fresh blow to Japan's employment market, which hit its weakest level for six years last month.

The job cuts, spread over the next three years, are the heaviest so far among Japan's top industrial companies, as they seek to cut costs amid the worst recession for 20 years.

Nippon Steel said yesterday it aims to cut white-collar staff by 4,000 on top of the already planned loss of 3,000 workers' jobs, totalling 19 per cent of parent group employees.

Numbers will be cut through reduced hiring, non-replacement and job transfers to affiliates. There will be no redundancies. Annual production costs will be cut by Y300bn (£1.88bn) during the three years, the group said. Nippon is expecting to lose at least Y15bn before tax this year.

Nippon Steel blamed the rising yen and a permanent reduction in domestic demand for steel caused by a shift of production overseas by its car and consumer electronics industry customers.

Similar factors were behind recent job cuts announced by two other Japanese steelmakers, NKK, which is to reduce its workforce by 3,200, and Sumitomo Metal Industries, which is to shed 3,000 jobs.

A fall in new employment in manufacturing industry was a big factor in the reduction in the number of job offers in September, which fell from 70 per 100 job seekers in August to 69, the lowest since 1987, according to the management and co-ordination agency.

This pushed the unemployment rate up to 2.6 per cent, 0.1 of a percentage point more than in August. Although low by European standards, the number out of work is climbing fast, by 17 per cent from September 1992 to last month, to reach a total of 1.72m.

This is grim news for the Japanese government, which yesterday set up an emergency team, under the most senior civil servant in the labour ministry, to come up with plans by mid-November to support employment.

The worsening jobs market, in a country long accustomed to almost full employment, provides an unwelcome distraction at a time when the seven-party coalition is struggling to pass laws to reform Japan's corruption-prone political system by the end of the year.

Mr Morihiro Hosokawa, the prime minister, has implied he will resign if he misses the deadline.

French jobless at record level

By John Ridding in Paris

FRENCH unemployment hit a record in September, rising to 11.8 per cent of the workforce from 11.7 per cent in August, according to figures announced yesterday by the labour ministry. The number of unemployed rose by 26,400 to 3.24m.

The rise in unemployment, which is forecast to breach 12 per cent by the end of the year, is the biggest problem facing the government of Mr Edouard Balladur. It has prompted demands for a more expansionary economic policy and has weakened the government's ability to implement restructuring of public sector industry.

'The situation is moving in the right direction but we have not yet had lift-off'

The weak state of the French economy was confirmed by trade figures released yesterday which showed a surplus of FFr10.44bn (£1.19bn) in July, reflecting the low level of demand for imports. But the statistics also brought encouragement for Mr Balladur's government, demonstrating that French industry remains competitive in international markets.

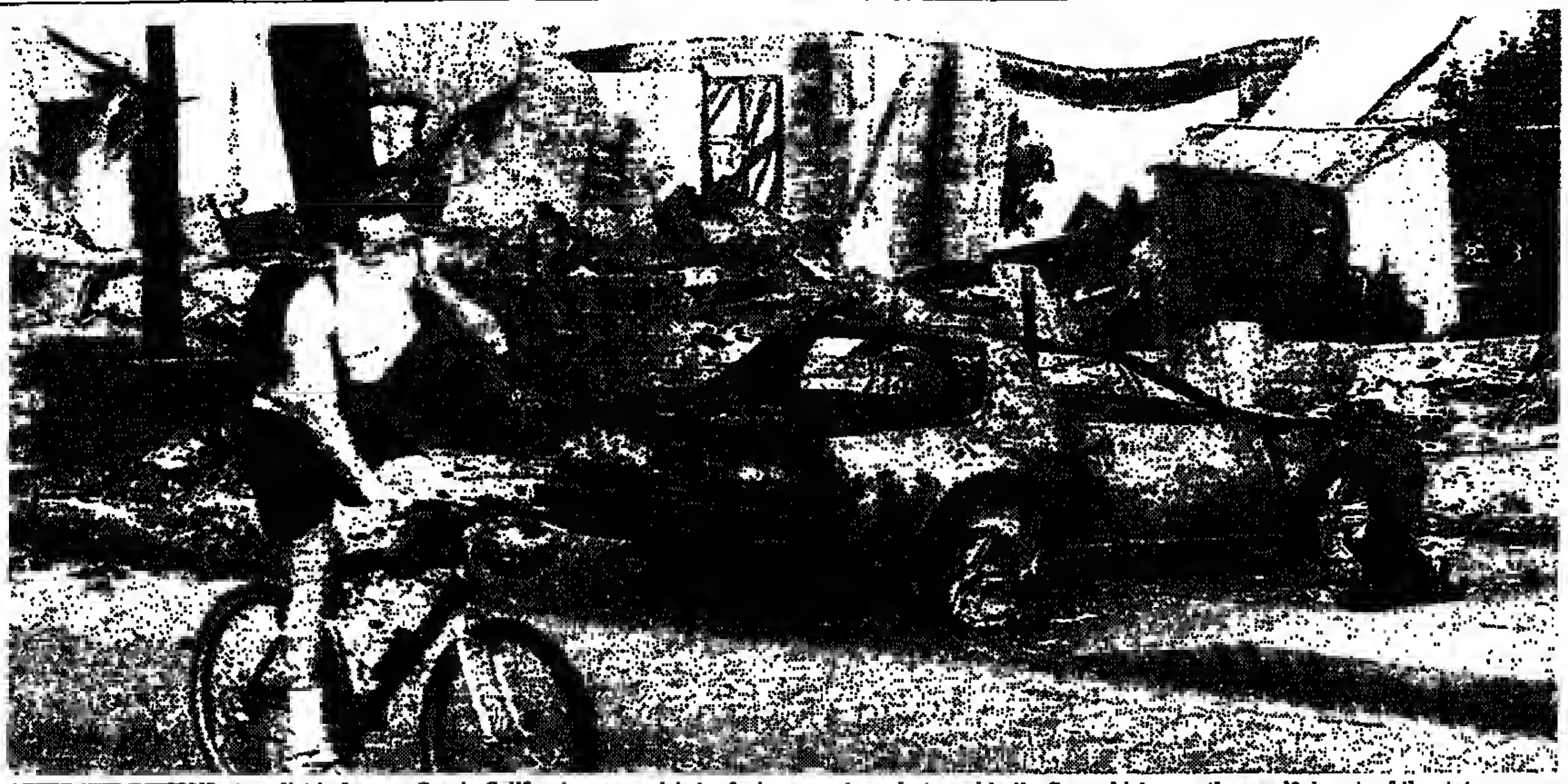
The seasonally adjusted trade figures included a surplus of FFr1.6bn with Germany and were within a shadow of the record FFr10.6bn surplus recorded last May.

The unemployment and trade statistics come amid a series of indicators which suggest that the economy is stabilising and heading towards recovery from the recession which it has suffered since the end of 1992.

"The number of favourable signs are increasing," said Mr Alphandéry, the economy minister, referring to a 0.7 per cent rise in consumption in September and a 1.3 per cent rise in industrial production in July and August compared with June. But Mr Alphandéry remained cautious about the prospect for the economy. "The situation is moving in the right direction but we have not yet had lift-off," he said.

Such caution was justified by the composition of the trade figures. The total value of imports in July was FFr86.3bn, a fall of about 15 per cent on the same period in 1992. Imports of capital goods had been particularly weak.

Exports, however, continued their upward trend of the past few months, rising from FFr94.9bn in June to FFr96.8bn in July. "The trade figures show that the external sector is doing much better than the rest of the economy and that French industry is competitive," said Mr Jean-François Mercier, economist at Salomon Bros. Mr Mercier forecast a surplus in excess of FFr45bn for the full year.



AFTER THE INFERNO: A cyclist in Laguna Beach, California, passes debris of a house and car destroyed in the fires which recently engulfed parts of the state Reuter

US personal income, spending edge up

By Jurek Martin in Washington

US personal income and spending rose modestly in September, but by sufficient amounts to suggest that the current consumer-led economic recovery is in no immediate jeopardy.

Additionally, the Chicago purchasing managers' index rose to 57 per cent this month, compared with 54.4 per cent in September, pointing to further steady growth in manufacturing.

The 0.2 per cent rise in personal income and the 0.3 per cent advance in personal spending were much in line with market expectations.

Personal income had risen sharply by 1.3 per cent in August, but that in good measure represented the recovery from the midwestern floods of the previous month. Both figures are reasonably good auguries for the coming Christmas shopping period.

On Thursday the government reported an encouraging 2.8 per cent real annual advance in gross domestic product in the third quarter, a figure that would have been 0.6 per cent higher but for the dislocation of the floods. Economists are now predicting growth in the 4 per cent range for the final quarter.

Malaysia to cut company taxes

By Kieran Cooke in Kuala Lumpur

MALAYSIA has unveiled a mildly expansionary 1994 budget with substantial increases in development spending and a cut in corporate tax aimed at promoting more investment in the country.

Mr Anwar Ibrahim, finance minister, said GDP growth would be more than 8 per cent this year.

"With this growth, the Malaysian economy would have experienced growth rates of 8 to 9 per cent for six successive years, an attainment which has never been achieved before," said Mr Anwar.

But fast growth had put serious strains on infrastructure. Mr Anwar said that to overcome infrastructure bottlenecks, developmental expenditure would be increased by 35 per cent to M$13.35bn (£3.5bn).

"The present infrastructural constraints, especially in power and transport, have occurred too often and are now being addressed as a matter of urgency," said Mr Anwar.

In spite of this increase in spending a rise in government revenues meant there would be only a marginal budget deficit, said Mr Anwar.

The growth of both domestic and foreign investment in Malaysia has slowed over the past 18 months.

Mr Anwar announced a 2 percentage point cut in corporate tax to 32 per cent in 1994, with a further reduction to 30 per cent in 1995. "Our company income tax will be more comparable to those of neighbouring countries and this will improve the investment climate of our country," said Mr Anwar.

While there were no reductions in income tax, Mr Anwar announced measures to help lower income groups, including a multi-million dollar plan to build low cost urban housing.

Others measures include a financial package to encourage the development of more skills, further moves towards the introduction of a sales and service tax and the reduction or abolition of import duties on many items.

The worst news in the budget was for Malaysia's growing numbers of big motor cycle riders.

Import duty on superbikes of engine capacity of 500cc and above will be doubled from 60 to 120 per cent.

Länder leaders in plea to save jobs

By Quentin Peel in Bonn

THE leaders of four German states (Länder) are to meet the chief executives of Daimler-Benz and its subsidiary Deutsche Aerospace (Dasa) to try to head off mass redundancies and plant closures by Germany's principal aerospace contractor.

The meeting, at the initiative of Mr Edmund Stoiber, the Bavarian prime minister, is on November 12. It will bring together Mr Edzard Reuter of Daimler-Benz, Mr Jürgen Schrempp, his colleague at Dasa, as well as Mr Gerhard Schröder, the premier of Lower Saxony, Mr Stoiber, and the mayors of the city states of Bremen and Hamburg.

All the states have important Dasa plants, several involved in manufacture of the European Airbus and now threatened with closure in the drastic rationalisation programme announced by Mr Schrempp last week. The company is to shed 16,000 jobs from its 80,000-strong workforce by the end of 1996, and close six plants, while seeking outside buyers for three further plants.

The biggest plants affected are the Airbus Lemwerder works outside Bremen, with 1,150 expected redundancies, and the Airbus factory at Munich-Neuaubing, with 1,200 job losses.

Both Bavaria and Lower Saxony have offered subsidies to keep the plants open, but Dasa insists it has no plans to amend its cuts.

Malaga council seeks debt help

By Tom Burns in Madrid

THE CITY council of Malaga, the principal town on Spain's Costa del Sol, is believed to be seeking government assistance to avoid defaulting on its debts.

Malaga authorities were yesterday reported to be negotiating a refinancing package with the central government to avert defaulting on principal of Pta3.5bn (£17.5m), which is underwritten by Spain's leading corporate lender, Banco Bilbao Vizcaya.

The city's problems highlight dangerously high borrowing levels of other city councils in Spain, but do not appear to have had any effect on Spain's public debt market, where Spanish long-term bonds yesterday outperformed Italy's.

Seven major city councils, including Madrid and Barcelona but not Malaga, held a meeting earlier this week to lobby the central government for tax rebates to help meet their deficits. Barcelona, which staged the 1992 Olympic games, has the largest debt with a total of Pta241bn. Spain's city councils owe a total of Pta2,200bn.

Deficits have risen steeply in all levels of government, but they have risen most of all among local councils, many of which have borrowed heavily on the capital markets.

"This is a big problem for the councils and it is not going to be easy for them to place paper from now on - but it is not a problem for Spain's main bond and equity market," said Mr Robert Maxwell, a senior partner at Madrid securities house Maxwell and Espinosa.

Fiat and GKN in joint venture

By John Griffiths in London

FIAT of Italy and GKN, the UK motor components and industrial services group, are discussing forming a joint company to supply Fiat with constant velocity joints - the key element of front-wheel drive systems - from a new manufacturing facility to be built near Florence.

If final agreement is reached, Fiat would close its Novoli plant in Florence making the joints and concentrate production at the new facility at Campi Bisenzio, 15 kilometres away.

The Novoli plant currently employs around 800 people.

GKN said yesterday the move would require "substantial investment," but would not give details.

It is in line with Fiat's declared strategy of concentrating on designing, developing and assembling vehicles while buying in key components from partners with which it can form long-term relationships.

An agreement would be of considerable importance to GKN.

The components are a basic requirement for all front-wheel drive vehicles and Fiat is Europe's second-largest carmaker, with output approaching two million vehicles a year.

GKN has been supplying constant velocity joints to Fiat from its Brunico plant, in northern Italy, for about 15 years.

The agreement could be in place early next year with production likely to start in 1995.

NEWS IN BRIEF

Bonn MPs probe blood scandal

THE German parliament yesterday set up an inquiry into a growing scandal over HIV-infected blood products, Quentin Peel reports from Bonn.Two directors of a blood plasma laboratory, UB-Plasma of Koblenz, were arrested and charged with criminal negligence yesterday following evidence that infected blood had been delivered to hospitals and clinics in Germany and Austria.

Venezuela agrees bank reforms

The Venezuelan cabinet has approved reforms for the country's banking system, including provisions allowing foreign banks to own controlling interests in local banks, Joseph Mann writes from Caracas. The reforms, opposed by some bankers, represent the last big element in an economic adjustment programme initiated in Venezuela in 1989.

Central Americans in trade pact

The pending North American Free Trade Agreement has helped push central American nations into a trade pact of their own, David Scanlan reports from San Jose, Costa Rica. Signatories are Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala.

Georgian rebels repulsed

Georgia said yesterday its troops had won back territory from rebels in the west, and diplomats said the civil war in the former Soviet republic looked headed towards a final showdown, Reuter

PERSONNEL CARRIER: Government army volunteers cram into a car boot in Senaki, western Georgia yesterday Reuter

reports from Tbilisi. Officials said the rebels, fighting to restore ex-president Zviad Gamsakhurdia, were reduced to control of a single western stronghold, Zugdidi.

Ciampi survives vote

Prime Minister Carlo Azeglio Ciampi won a confidence vote in the Italian parliament yesterday but politicians said he would probably have to face several more to win approval for his crucial 1994 budget, Reuter reports from Rome. Opposition parties object to its cost-cutting measures and Mr Ciampi's supporters now seem set to use the budget to help delay a general election, which would almost certainly cripple them.

Air France strikers go back

Striking Air France freight workers at Paris' main Roissy-Charles de Gaulle airport yesterday voted to suspend a 16-day stoppage, signalling an end to a crippling protest at the French national flag-carrier, Reuter reports from Paris.

Aristide's opponents call strike

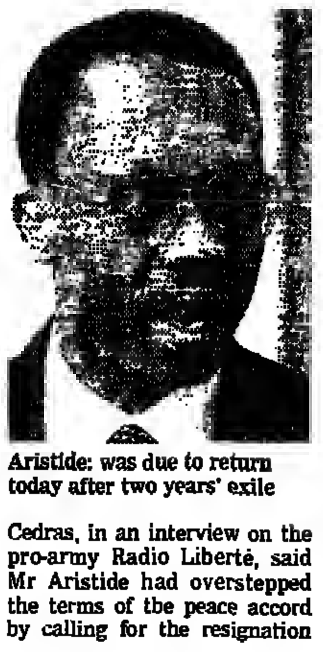
By William Spindler in Santo Domingo

OPPONENTS of Haiti's exiled President Jean-Bertrand Aristide called an armed general strike yesterday which left the streets of the capital, Port-au-Prince, almost deserted.

The strike came the day before Mr Aristide was due to return to the country under the terms of a United Nations-brokered peace deal.

Yesterday's action was called by extreme rightists with close links to the military. The stated aim of the strike is to force Haiti's pro-Aristide civilian government to reopen petrol stations, which have been closed as a result of a UN embargo imposed because of the military leaders' refusal to give up power.

Army chief Lt Gen Raoul



Aristide: was due to return today after two years' exile

Cedras, in an interview on the pro-army Radio Liberté, said Mr Aristide had overstepped the terms of the peace accord by calling for the resignation of the army high command and police chief Joseph Michel François.

The impasse over Mr Aristide's return and deteriorating conditions in the country have led many ordinary Haitians to try to flee the country. Ships enforcing the embargo have intercepted two refugee boats this week carrying a total of 43 people. Fifteen people sent back were promptly arrested by armed men.

The Dominican Republic, with which Haiti shares a border, has traditionally offered an avenue of escape in times of crisis. This week, however, the Dominican government has been repatriating thousands of Haitians, including people who have lived there for decades, and even black Dominicans suspected of having Haitian descent. Although President Joaquin Balaguer of the Dominican Republic has said that the deportations would stop, the message to prospective Haitian refugees is clear: they are not welcome.

The deportations might serve another purpose. According to Mr Ruben Silie, an expert on Haitian-Dominican relations at the Technological Institute of Santo Domingo, they "are a clear signal to the Clinton administration that the Dominican Republic is not prepared to pay the costs of US policy in Haiti."

With traditional channels of escape being closed, desperate Haitians can be expected to seek refuge in other shores.

Britain could soon find itself drawn into the crisis. The Turks and Caicos Islands, a British protectorate, has been also receiving Haitian refugees.

British Gas and Tenneco win Chilean pipeline deal

By David Pilling in Santiago

BRITISH GAS and Tenneco Gas of the US were yesterday awarded a contract to operate a $1.65bn project to pipe natural gas from Argentina to Chile.

The 1,200km pipeline, which would transport gas from Argentina's Neuquén fields to businesses and homes in Santiago and other Chilean cities, has a target completion date of 1997.

Chilectra, the project developer and leader of a consortium that has negotiated a gas supply contract with Argentina, named Tenneco as the technical operator of the transmission company.

British Gas will take responsibility for the 8,000km distribution network.

The British and US companies beat off stiff competition from other international companies, including Enron, Lonestar Gas and Utilicorp of the US, and Transcanada Pipelines and Novacorp International of Canada.

Tha two companies, which would take out an equity stake in the project, will undertake feasibility studies before going ahead with construction in 1994.

British Gas's share of the study costs will be less than $2.25m.

Securing financing may be difficult given the estimated six years of negative cash flows involved and the 20-year payback period.

The transmission and distribution elements of the contract, not including three thermo-electric generators, are likely to cost between $950m and $1.2bn.

There is also political risk. Although Chile was awarded an investment grade rating last year, Argentina's economic stability is still to be tested.

Relations between the two countries, although much improved, have often been strained - a factor that could interrupt the smooth flow of gas.

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Treaty celebrations give way to sober talks

Europe is settling down to the task of finding ways to create jobs and boost growth, writes David Gardner

"IT WAS our kind of talk," a senior British official said of the summit's debate on how to rekindle economic growth in Europe and respond to the EC-wide unemployment crisis.

Asked whether this special summit was to celebrate the entry into force of the Maastricht treaty on Monday, Mr Poul Nyrup Rasmussen, the Danish prime minister, said soberly that "there is one thing to celebrate: that is that now we start on solving pressing economic and employment problems. That is our major issue."

But beyond stating that the 20m unemployed the EC will shortly have is "intolerable", the 12 heads of government were vague on what to do about it. "Concrete conclusions" are awaited at the December summit in Brussels, when Mr Jacques Delors, the European Commission president, presents his White Paper on growth, competitiveness and employment.

Mr Delors, and Mr John Major, the British prime minister, made what there was of the running yesterday.

Mr Delors acknowledged that the economies of the Twelve had ceased to converge. To counteract this, he called for a beefing up of the "growth initiative" agreed at the Edinburgh summit in December 1992 and upgraded at Copenhagen in June; a labour market reform to cut the cost of employing workers; an increase in investment from 19 per cent cent now to 24 per cent, to boost average growth to 3 per cent and cut jobless levels from 11 per cent now to 6 or 7 per cent; and an investment drive in information and communications technology which he said required Ecu135bn (£105bn) over the next five years.

The Commission president was scathing about the progress of the much-trumpeted "growth initiative". Only Ecu3.3bn of the Ecu7bn agreed at Edinburgh has actually been allocated. One of the few concrete measures likely to emerge yesterday was a widening of the eligibility criteria, so that more "national" projects could apply to a facility designed for trans-European infrastructure networks. Energy projects, transport equipment and urban renewal were singled out in the summit's draft conclusions.

Mr Delors noted acidly that finance ministers "are not interested" in making use of Copenhagen's upgrading of Edinburgh: a bridging facility to bring on stream faster the Ecu48bn in EC regional and structural funds earmarked for 1994-95, soft loans for small industry, and an ambitious European investment fund. In the draft conclusions at least, finance ministers who earlier this week rebuffed Mr Delors' call for an expanded growth initiative, were to be instructed by their bosses to stop dragging their feet on the pledges of the last two summits.

There was little discussion of the labour market reforms emphasised in a recent draft of the Commission White Paper. This calls for more part-time work and job-sharing, greater wage flexibility including possible dilution of minimum wage norms, a reduction in non-wage costs on lower skilled jobs, and shifting part of the social security burden on employment onto eco-taxes on pollution and energy.

But the tone of most debate across Europe over labour markets enabled Mr Major to devote most of his speech to hammering home the UK's recipe without much demur from his colleagues. The UK prime minister said that whereas long-term unemployment in the US was 6 per cent of the jobless total, and 18 per cent in Japan, in the EC it was 45 per cent of all unemployment. "A better climate for enterprise" and jobs required: improved flexibility in working hours; relaxed minimum wage legislation; reduced employers' social security contributions; pricing the unemployed into work; and improved education and training.

Mr Major also made the strongest of the few summit references to the Uruguay Round world trade reform negotiations, theatened by French intransigence over farm trade. "Completion of the Uruguay Round must be our highest priority over the next six weeks," he said, referring to the December 15 deadline for concluding the talks.

The absence of real discussion on the trade talks reflected the desire of France's partners not to push Paris into a corner – at least not yet. Nevertheless, the draft conclusions stated prominently "it is now more than ever necessary to make every effort, within the agreed timetable, for a global, balanced and durable Uruguay Round accord."

United stand in fight against crime

By Andrew Hill in Brussels

EC LEADERS yesterday threw their weight behind common efforts to fight organised crime, drug trafficking and terrorism.

Chancellor Helmut Kohl of Germany and President François Mitterrand of France both stressed the importance of a co-ordinated effort, taking advantage of the new framework provided by the Maastricht treaty, which comes into force on Monday.

According to the summit's draft conclusions, made available before the end of yesterday's meeting, the new European Union should aim to reinforce its co-operation in justice, immigration and police matters.

The draft said member states should reassure European citizens that the removal of border posts and controls would not weaken security. Not only that, "the creation of a barrier-free space should guarantee even better security in the future, thanks to systematic and organised co-operation between member states."

In his opening comments to his summit colleagues, Mr Kohl placed particular emphasis on the fight against organised international crime.

Until the entry into force of the Maastricht treaty, such matters have been dealt with by loose co-operation between governments. But the treaty will set up an institutional framework for closer co-ordination of policies.

The treaty should also give new impulse to Europol – a central agency overseeing the pan-European fight against drug trafficking and terrorism.

Yesterday both Mr Kohl and Mr Mitterrand called for the Belgian presidency of the EC to consider formal proposals for putting this so-called "third pillar" of the Maastricht treaty into effect as quickly as possible.

The draft conclusions of yesterday's meeting suggest that the December summit of EC leaders in Brussels should examine specific action for the rapid establishment of Europol; effective measures against drugs; common action on asylum, including a list of third countries whose nationals have to carry visas in the Community; and reinforcement of judicial co-operation, particularly on extradition.

Leaders agree to act together abroad

By Lionel Barber in Brussels

EC LEADERS yesterday agreed to send monitors to cover the parliamentary elections in Russia to December, according to a draft communique at the Brussels summit.

The move was heralded as a first, modest step towards fulfilling the Maastricht treaty's provisions for a common European foreign and security policy.

EC leaders also identified four areas for similar "joint actions," including central and eastern Europe, the Middle East, South Africa, and the former Yugoslavia.

Joint actions is the Brussels code-word for something less than sending combat troops to trouble zones around the world, but something more than the reactive diplomacy characterised by the EC's so-called "political co-operation."

The EC has plenty of experience in supporting and monitoring democratic elections. Notable examples include recent polls in Nicaragua and Albania, a European Commission official said.

The UK, which jealously guards its sovereignty in matters of foreign policy, pushed hard for sending monitors to Russia. "This is something the EC can offer. It's urgent, time-limited, and it's cheap," said one British official.

Other diplomats noted that President Boris Yeltsin's government had expressed support for the move, despite some western criticism about his ban on opposition newspapers and media.

The UK has made £500,000 available for supporting democracy in Russia. This includes funds which officials said could be spent not just on election leaflets, but also news-sheets for alternative points of view to the Yeltsin government.

On the former Yugoslavia, EC leaders were cautious, calling for measures to restore a viable economy "if the peace process takes on concrete form," according to the draft.

Separately, Mr Douglas Hurd, UK foreign secretary, and Mr Alain Juppe, French foreign minister, were said to be close to agreeing new measures to ensure safe passage of UN aid convoys to Sarajevo this winter.

British officials said the UK was anxious to avoid an open-ended commitment to keep open supply routes, because of the risk to British, French and UN ground forces. "We don't want to be punching our way through," said one aide, "we are thinking more in terms of engineering works and rebuilding bridges."

On central and eastern Europe, the twelve expressed support for the Balladur plan for a stability pact in the region "to settle the problem of ethnic minorities and strengthen the inviolability of borders."

One objection to the Balladur plan is that it could be interpreted as an invitation to minorities to bring latent, or existing frontier disputes to the Community for resolution.

On the Middle East, EC leaders are resolved to support the peace process by political, economic and financial means. This could include police training in the occupied territories, as well as engineering works such as drainage and telecommunications.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, is to visit Brussels early next month to discuss these measures, as well as the EC's five-year Ecu500m (£388m) aid plan for Jericho and the Gaza strip.

NEGATIVE REACTION: Belgian trade unionists protesting at government austerity measures marched through Brussels yesterday at the start of the summit Reuter

Disunion greets birth of the European Union

By Andrew Hill in Brussels

THERE were plenty of politicians and officials ready to fete the birth of the Maastricht treaty in Brussels yesterday, but with the baptism fast approaching – the treaty comes into force on Monday – nobody is really sure what to call their pride and joy.

The treaty itself is pretty explicit: it plumps for European Union in the first paragraph. That is all right for grand statements of vision – President Mitterrand of France was already referring to the Union in his opening statement to fellow summiteers yesterday – but the problem is that less integrationist members of the Community find it well, a little too *federal* for their liking.

What is more, the "old" EC has not quietly been put to sleep by Maastricht. The EC, set up by the Treaty of Rome, lives on, alongside new joint responsibilities for a common foreign and security policy, and a common policy on justice and immigration matters.

Confused? The EC Council of Ministers thought you might be, and some weeks ago set some of its keenest legal brains to work on a solution. So far, nobody has, and Community (or Union) officials were keen to play down the debate yesterday – presumably to avoid accusations that they are merely fiddling while the Treaty of Rome burns.

* * *

Still on the subject of unions, yesterday's summit was picketed by Belgian workers, protesting against Belgian government plans to freeze wages and cut the country's looming budget deficit. Union protest seems to be becoming a tradition for "special" summits: last year's Birmingham meeting was picketed by British miners.

Most Belgians, however, took predictions of traffic chaos as an excuse to enjoy a sunny day off ahead of the All Saints Day long weekend, leaving the roads emptier than usual. That did not prevent the unions drawing a parallel. "The newspapers were forecasting that we'd mess up Brussels today," one unionist said, "but the real mess isn't here but up at the European summit – a monetary and social mess."

* * *

In fact, fog at Brussels airport was considered more of a problem for EC leaders than the traffic. Flown to Aachen by helicopter early yesterday morning, Chancellor Kohl decided to forge on ahead of his motorcade. Drawing up 15 minutes late for the summit – after Mr Mitterrand, traditionally the last to arrive at such events – a shirt-sleeved Mr Kohl fazed the Belgian protocol experts by emerging from a smallish police car at the head of the procession, rather than the more appropriately ample diplomatic Mercedes behind.

* * *

Not much should be read into seating plans at European summits – they tend to follow the alphabetical rotation of EC presidencies – but yesterday's arrangement seemed calculated to irritate the British. Mr John Major, the prime minister, and his foreign secretary, Mr Douglas Hurd, found themselves squeezed in between two smaller powers – Portugal and Luxembourg – staring across the table at the much weightier triumvirate of Germany, France and Spain.

* * *

As a location for the European Monetary Institute, forerunner of a European central bank, Frankfurt did not get everybody's vote. Some central bankers viewed the possibility of frequent trips to Germany's financial centre with ill-concealed distaste. "I have to admit that the idea of spending much time in Frankfurt fills me with horror," said one central bank governor. Some bankers seemed to prefer the candidacy of Bonn. "If only because it's more lively at night" – not a compliment usually paid to the sleepy German capital. But then central bankers do spend a lot of time in Basle.

Wrangling ends as EC institutions are parcelled out among competing member nations

European Bank a boost for Frankfurt

By Quentin Peel in Bonn, David Buchan in Paris and Our Economics Staff

FOR Chancellor Helmut Kohl, the decision to put the European Monetary Institute in Frankfurt after months of wrangling and resistance from the British government, is a much-needed demonstration of solidarity from his EC partners.

For the city of Frankfurt, it will provide a welcome boost to a flat property market and to the more distant hope of becoming a greater rival to the City of London as an international financial centre.

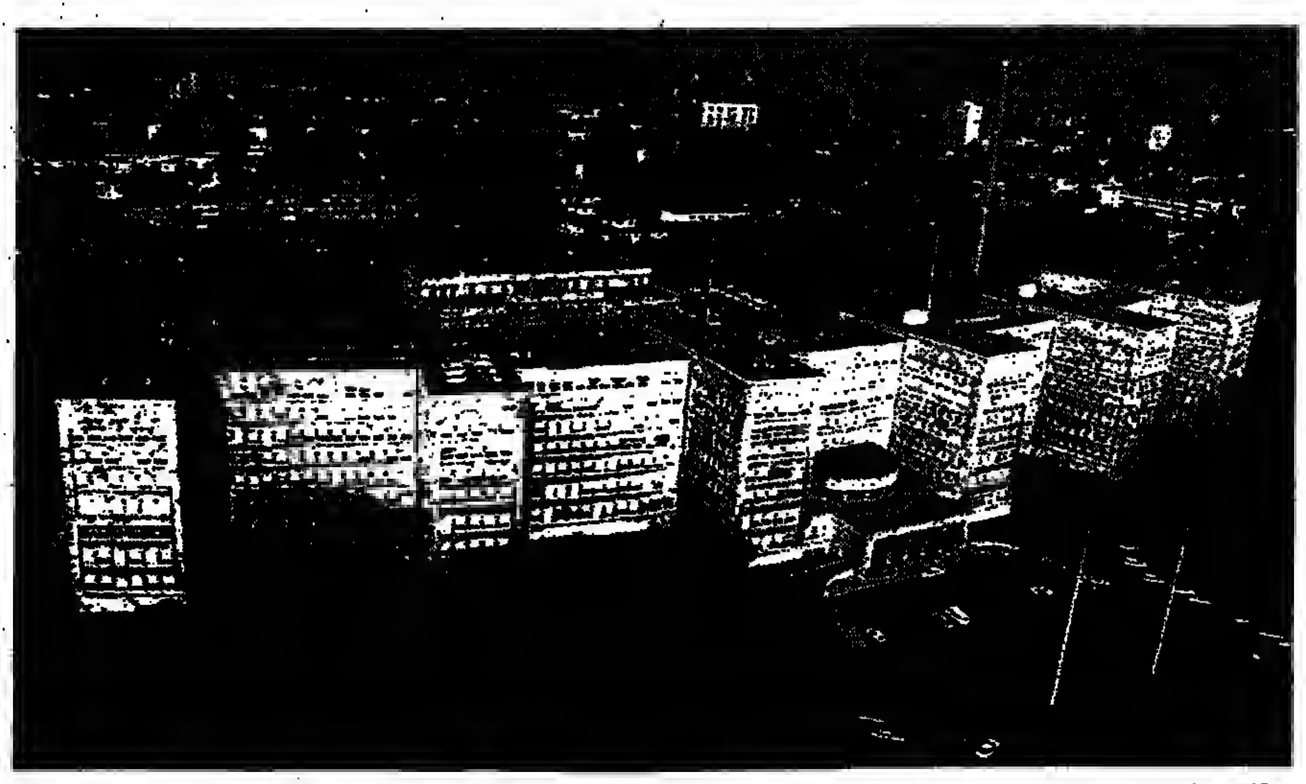
Mr Kohl has argued all along that he needed to persuade doubting German voters that the future European currency would be as stable as the D-Mark – and the one way to do so was to site the EMI in the shadow of the German Bundesbank.

His unwavering commitment to the cause of European union, both political and economic, has yet to prodnce much visible reward for Germany. He can now present the EMI, which is supposed to become the future European central bank, as just that.

There was celebration in Frankfurt last night that the decision, blocked only by a British veto et the Lisbon EC summit in June 1992, has at last been made.

Mr Martin Kohlhaussen, chief executive of Commerzbank, said the decision was "above all, a well-earned recognition of the outstanding role of the Bundesbank in its lasting commitment to monetary stability. It is an expression of trust and an obligation, at the same time".

Mr Jürgen Sarrazin, head of Dresdner Bank, said it presented Germany with "the great responsibility of making a further step forward for Europe."



Among Frankfurt sites proposed for the European Monetary Institute is the IG Farben chemical combine now used by the US Army Associated Press

The Bank of England said last night: "It's a pity, not for the City but for the EMI." However, the Bank added that London would retain its pre-eminent position as a financial centre irrespective of where the EMI was sited.

The UK Treasury said: "We thought all along London would be the best place for the EMI on the grounds that it is the financial centre for Europe. But the decision is not a body blow to London in terms of its standing in the financial markets. London will be able to survive the decision."

Mr Avinash Persaud, economist with J P Morgan, the US bank, said: "Frankfurt as a location for the EMI will give a much needed injection of credibility back to the European exchange rate mechanism.

"But it is clearly a disappointment for London. In the longer term, if the Maastricht process is put back together again, London will lose out as a major foreign exchange centre."

Mr Stephen Hannah, head of research at IBJ International, the Japanese Bank, in London said: "I don't think it comes as any surprise given the Bundesbank's decision to cut rates a week or two ago. It did itself no harm by cutting them rather surprisingly when it did."

He added that the location of the EMI in Frankfurt was seen as underpinning the credentials of a future European Central Bank, "but the idea of a central bank ever emerging still remains a dream rather than a reality".

The Association of French Banks acknowledged last night that over the long term the choice of Frankfurt as the seat of the future European central bank would attract some business away from Paris and other financial centres.

In the meantime the Paris market is increasing its links with Frankfurt," said an AFB official.

No fewer than three French cities – Lyons, Lille and Strasbourg – had touted for the EMI but none received official backing from the French government which knew from the start that basing the central bank in Germany was the price to be paid for monetary union.

Where in Frankfurt the EMI might set up headquarters has yet to be decided. One proposal has been to put it in the former headquarters of the IG Farben chemical combine, a gigantic, marble-clad building dating from the late 1920s, currently used as headquarters of the US Army in Germany. The disadvantage is the historical connotation of a company closely identified with the Nazi regime, and responsible for the deaths of thousands of slave labourers during the Second World War.

EUROPEAN INSTITUTIONS

Who has what:

Brussels	Council of Ministers; European Commission
Luxembourg	Court of Justice; European Investment Bank (EIB); Eurostat; Court of Auditors
Strasbourg	European Parliament
Munich	European Patent Office
London	European Bank for Reconstruction and Development (EBRD)

Who gets what:

[illegible]	[illegible]
The Hague	[illegible]
Spain	[illegible]
Madrid	[illegible]
London	[illegible]
Dublin	[illegible]
Lisbon	[illegible]
[illegible]	[illegible]
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Medicine evaluation agency for London

By Clive Cookson, Science Editor

THE European Medicinee Evaluation Agency, which will co-ordinate drug licensing and safety throughout the European Community, is due to start work to London to 1995 with a staff of 300.

Officials at the UK department of health say EMEA could indirectly create "several thousand" jobs.

"The agency will act as a magnet for the international pharmaceutical industry," Mrs Virginia Bottomley, Britain's health secretary, said yesterday. It would attract European head offices of American and Japanese drug companies and a host of consultants and lobbyists.

The UK government and drugs industry lobbied hard for the agency to come to London.

From 1995, the EC will have a twin-track approach to drug licensing. Companies will be able to submit a conventional medicine either to the EMEA (the "centralised" route) or to one of the 12 national regulatory agencies (the "decentralised" route).

Lossmaking BR lines 'may attract most bids'

By Roland Rudd

BRITISH RAIL'S lossmaking lines are likely to appeal to the private sector more than the flagship InterCity services, thanks to public subsidies, according to the government.

Mr Roger Freeman, transport minister, said yesterday that he thought the subsidies would make lossmaking Regional Railways and Network SouthEast attractive to bidders. Almost half their operating costs will be met by the government over seven years.

The argument that bidders may be most interested in services which need big subsidies was one factor which helped defuse a potential Tory backbench revolt over the rail privatisation bill.

Mr John MacGregor, the transport secretary, this week outlined the government's response to the amendment passed in the Lords which would have allowed BR to bid for franchises. Under the new rules BR will only be allowed to bid if there are no "credible alternatives" from the private sector or management buy-outs.

Labour has accused the government of negating the Lords' amendment.

Mr Freeman dismissed Labour fears that the private sector may "cherry-pick" the most profitable services. He said: "The franchising director will fix the subsidy for seven years; half the operating costs will be underwritten by the government. This will give those interested in running the franchises an ability to plan over the long term."

BR now receives an annual subsidy and decides how to share it between its different services.

Mr Freeman said: "What we are proposing is a fundamental change in the way we subsidise our railways."

This appears to have been one of factors which swayed a number of potential rebels to support the government when the bill returns to the Commons for its third reading on Monday.

Mr Gary Waller, Tory MP for Keighley who had threatened to vote against the privatisation proposals, said: "The Labour party has overlooked the fact that so-called rump railways, which are making a loss, could become the most attractive franchises."

Mr Chris Green, who will run ScotRail from April as a "shadow franchise" said: "After we see the figures our team may well be interested in forming a management buy-out."

ScotRail relies on an annual government subsidy of £120m on a turnover of £240m. However, the East Coast line from London to Edinburgh and Glasgow, which is responsible for InterCity remaining in profit, has not yet attracted any serious potential bidders.

Auditors told to inform on fraudsters

By Andrew Jack

AUDITORS MUST examine companies' accounts so as to have "a reasonable expectation" of finding any fraudulent statements, under draft guidelines issued by the Auditing Practices Board yesterday.

When they detect extreme cases of fraud they should notify the authorities without informing the company, according to the standards-setting body.

SAS 110, the auditing standard on fraud and error, has been drafted based on a proposed international standard on auditing published in July this year.

The standard appears to place a relatively low burden on the auditor in detecting fraud, stressing that auditors are entitled to accept representations as truthful and documents as genuine unless the audit reveals evidence to the contrary.

But it stresses that auditors cannot assume that an instance of fraud or error is an isolated occurance unless circumstances clearly indicate otherwise.

It says auditors should have higher standards of fraud and error detection for governmental entities.

The standard says auditors should qualify the accounts if necessary without regard to the consequences and even if corrections have been made since the balance sheet was signed.

It says if auditors can no longer have confidence in the integrity of directors and they believe a fraud is contrary to the public interest, they should report matters to the relevant authorities.

The draft has been circulated for public comments by 28 February 1994.

SAS 110. Fraud and error. Auditing Practices Boord. Accountancy Books, PO Box 620, Central Milton Keynes. MK9 2JX. £1.50.

Farming collective wants tenant reform

Alison Maitland on a general desire for new agricultural legislation

MRS JANE Jenner-Fust, a Gloucestershire landowner, would like her son to have the option one day of taking over the dairy farm she lets to a young tenant farmer on her 1,500-acre estate near the River Severn.

But her son is only 15 and has not yet decided on a career. If in the meantime she lets her tenant stay when his Ministry of Agriculture licence runs out in 2½ years, the farmer will be entitled to tenure for life.

"He's a very good farmer and I'd like to be able to give him 15 years to get on with it uninterrupted, and without feeling the axe is going to fall," said Mrs Jenner-Fust. "But if I let him farm on a permanent basis, then I'm cutting our own throats."

Cases like hers prompted Mrs Gillian Shephard, the agriculture minister, to announce plans earlier this month to reform legislation on agricultural tenancies, which is seen throughout the farming industry as a mockery.

Under the 1986 Agricultural Holdings Act any tenancy longer than two years entitles the tenant to stay for life. As a result, landlords resort to a range of short-term arrangements, licences and loopholes – such as agreements of between 13 and 23 months – to get round the law.

Mr Marshall Taylor, who farms a 300-acre dairy enterprise on the Crown Somerset Estate in the Quantock hills and is vice-chairman of the Tenant Farmers' Association, said: "The current situation is just hand to mouth. Land is being farmed short-term, which is neither good for the land nor the farming business."

The legislation also means young farmers without a private income or a farm to inherit find entry into the business barred. Land is too expensive and tenancies are too few.

Tenants farm 26 per cent of Britain's 213,000 agricultural holdings, covering about 15m acres, or 37 per cent of the agricultural land.

Both landlords and tenants want reform, but they will probably have to wait. Mrs Shephard made clear that her proposals were jostling for space in a busy parliamentary timetable this autumn, so the earliest that legislation is likely to be enacted is 1995.

She also needs to be sure her proposals will not split the government's supporters. In spite of consensus on the need for change, her blueprint has not met universal approval.

Mrs Shephard's plans, which would affect only new tenants, are to create a new form of farm business tenancy to encourage diversification and to allow contracts to be freely negotiated between landowners and tenants, subject to three safeguards.

These would ensure tenants were fully compensated for improvements, that either side could settle compensation disputes by arbitration rather than through the courts, and that tenants received a minimum of one year's notice to quit.

Not surprisingly, the Country Landowners' Association, whose 50,000 members range from the Duke of Westminster and the Duchy of Cornwall to small landowners with less than 100 acres, fully supports the Shephard plan.

Mr Nick Way, the association's political adviser, said: "Landlords want flexibility. Some of the institutions will let for long periods. Some landowners will want to let for intervening periods if they've got a successor who will be ready to take over in a few years' time. Some will want to let to a new entrant for a short period in case it goes wrong."

But the National Farmers' Union is sharply critical of the lack of protection for tenants against ever-increasing rents.

Mr Ian Gardiner, the union's policy director, said: "In an industry like agriculture, which has a staggering up and down record of profitability, we'd be very worried about the implications for rural society of one-way rent reviews." The union wants a statutory clause stating that rents should be reviewed according to prevailing market conditions, so landlords do not hold all the cards.

The union has to be sensitive to the demands of its tenants' committee, which represents nearly a third of its 97,000 members. Twelve years ago tenants who felt the union was failing adequately to represent their interests set up the Tenant Farmers' Association, which has 3,500 members.

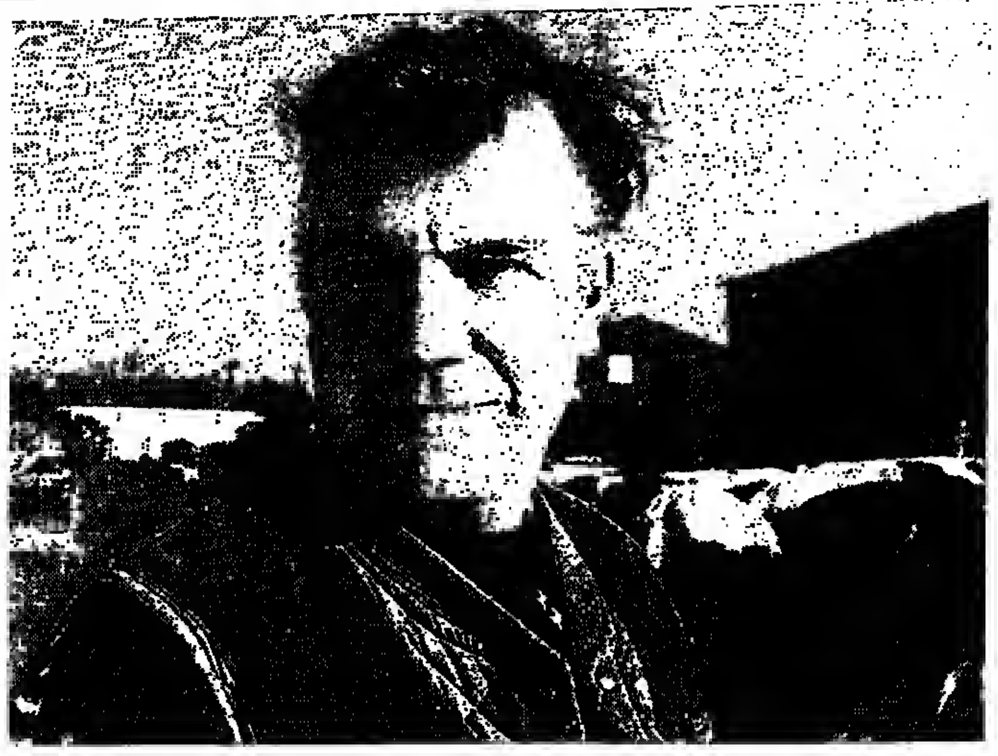
The association argues for flexibility on the length of tenancies, rather than a fixed minimum term. Mr Taylor said: "We wouldn't want to be in a position of having locked farmers long-term into holding land in difficult times."

The union has recently softened its earlier insistence on 15-year minimum tenancies, which suggests the differences in the industry are more tactical than strategic.

But even if these differences can be overcome the government will face demands for further reforms, which landowners say are crucial to encouraging more land on to the market. They want compensation for any fall in land value resulting from tenant farmers leaving and taking their European Community sheep quotas with them.

The Country Landowners' Association would also like the Treasury to extend 100 per cent relief from inheritance tax to landowners who let farms.

Given the state of government finances they may have to wait some time for that too.



Alan Lockyer

Marshall Taylor says short-term farming "is neither good for the land nor the farming business"

Employers' abuse of casual work laws attacked

By Richard Donkin

ABUSE OF employment law by employers was in danger of creating an "industrialised peasantry" of casual workers, the director-general of the Institute of Personnel Management said yesterday.

Mr Geoff Armstrong told the institute's annual confsrence in Harrogate that companies which dismissed workers just before they qualified for employment protection were abusing tha law.

His fears were supported by a MORI poll of conference delegates. Most of the senior personnel managers canvassed said their organisations had increased part-time working, temporary work and fixed-term contracts for individuals.

More than half of the managers believed that the desire to cut overheads by avoiding tha legal terms and conditions due to full-time workers, might influence decisions to introduce flexible working patterns.

Mr Armstrong said that while flexibility in organisations should be encouraged there was a need to make a stand against abuse. "The creation of a permanently casualised industrial peasantry, with little protection and no stake in the future, can't be in the interests of organisations or society," be said.

"Paying women less than men, when they are contributing equal value for the same employer can't be justified," he added.

His comments underlined recent findings by the National Association of Citizens' Advice Bureaux, which reported a big rise in the number of people complaining to its branches about abuse of employment laws by the companies that employed them.

He urged a reduction in the threshold at which workers received employment protection from the current two years in most cases to six months. This would help to dispel the "notion that when you have worked a year and 11 months you get fired".

Failure to introduce such reforms risked creating a permanent underclass of disaffected employees who had "no stake in anything", he said.

Employers were told to invest more in skills training, to give workers the necessary skills to enable them to find alternative employment if they lost their jobs.

Mr Armstrong, a former group executive director of Standard Chartered, also criticised the government's funding squeeze on Acas, tha conciliation service.

"Cutting Acas back to a level of penny-pinching which impedes its ability to operate as a respected, independent and authoritative defender of employment rights is short-sighted and counter-productive," he said.

Solicitors may face house fee probe

THE OFFICE of Fair Trading may hold an inquiry into whether pricing cartels are being operated in the house conveyancing market, Sir Bryan Carsberg, director-general, signalled yesterday.

He told delegates at the annual conference of the Law Society that he wanted to "flag" the possibility of cartels as an issue of concern. "One does hear from time-to-time indications that there may be pricing cartels, for example in such areas as conveyancing," he said.

Later Sir Bryan said he was not in a position to say there were pricing cartels, but there had been complaints on the grounds that groups of solicitors might be charging a minimum price.

BAe wins Seawolf missile contract

BRITISH Aerospace, the defence equipment and aircraft manufacturer, has won a contract from the Ministry of Defence worth "more than £100m" for its seaborne Seawolf missile.

Mr Jonathan Aitken, minister for defence procurement, yesterday said the order would "sustain some 100 jobs within the company, and many more at sub-contractors throughout the country".

BAe said: "The engineering order book is full but straightforward production contracts are quite welcome at the moment."

The contract, for 450 of the vertically-launched anti-aircraft and anti-missile missiles, is BAe's second from the Royal Navy. They will be built at BAe Dynamics' site at Lostock, Lancashire and be fitted to the Type 23 frigate.

Credit card spending rises

SPENDING ON credit cards rose by £670m in the third quarter of this year compared with the same period last year figures from the Credit Card Research Group show.

The independent group said the rise in spending to £9bn reflected growing consumer confidence.

MPs give support to women priests

MPs yesterday voted overwhelmingly in favour of the ordination of women priests in the Church of England, in spite of opposition from three government ministers.

If the measure is approved hy the Lords it could come into force early next year.

Ministers who opposed the measure were Mr John Gummer, environment secretary, Mr Anthony Nelson, economic secretary to the Treasury, and Miss Ann Widdecombe, *employment minister.*

Rise in visitors to tourist attractions

THE NUMBER of visitors to UK tourist attractions rose 1 per cent to 357m last year, with revenues up 6 per cent to £930m, the English Tourist Board says.

Numbers were boosted hy nearly 100 new attractions. The most popular new attraction was Liverpool's Pleasnre Island.

Community care funds announced

LOCAL authorities are to get £1.27bn next year to spend on community care, £20m more than originally promised, Dr Brian Mawhinney, health minister, announced yesterday. He said the amount would rise to £1.83bn in 1995-96 and to £2.2bn in 1996-97.

Local authorities associations said the funding was at least £150m short of what was needed.

Plaid in PR bid to lift number of female MPs

HALF THE MPs in a future Welsh parliament must be women, Mr Dafydd Wigley, the Plaid Cymru president, said yesterday.

The Welsh Nationalist leader said that an incoming Labour government or a Liberal Democrat/Labour pact should use a voting system based on proportional representation to ensure "near parity" between men and women members.

It is expected that a Welsh parliament would be set up in the first year of an incoming Labour or Libsral Dsmocrat/Labour government.

Plaid Cymru, debating the issue at its annual conference in Cardiff, is pressing for a chamber made up of two MPs – one man and one woman – from each of the 38 constituencies in Wales, plus additional elected members, to give a total of about 100 members.

In his address to the conference – which earlier this week launched s campaign to put independence back on the political agenda – Mr Wigley, MP for Caernarvon, gava his support to proposals for a two-stage drive towards self-government for Wales.

On the last day of the three-day conference today delegates will debate calls for a Welsh parliament with law-making and financial powers to take over responsibility for all functions whicb are currently undertaken by the Welsh Office and about 80 quangos – such as tha Welsh Development Agency.

The second more controversial step, setting up a fully self-governing Welsh republican state in Europe, would be put to Welsh voters five years later.

Midland aims at small businesses

By Alison Smith

MIDLAND BANK yesterday confirmed its intensified competition for small business clients by announcing the freezing of its small-business tariff for the coming year.

About 100,000 small businesses will continue to pay 60p for each credit and debit item and a monthly maintenance charge of £2.50, the level since December 1990. Charges have also been frozen for a further 200,000 on the standard business tariff, which is no longer available to new customers.

The move reinforces the bank's high-profile advertising campaign which emphasises that it has £1bn to invest in viable small businesses. It comes at the end of a week in which Lloyds said it was cutting transaction charges to small businesses and National Westminster announced a slight increase in its tariff.

Mr Geoff Ellerton, general manager of business development at Midland said: "As opportunities appear for small businesses to develop and grow, they will require additional investment and working capital."

● Banks should recognisa their social obligations by not misusing their economic power, by providing banking services to the entire community, and by acting to prevent unsustainable environmental practice, research group Bankwatch UK says in a report.

The report, published by the "green" pressure group New Economics Foundation, highlights the withdrawal of banks and building socisties from parts of Birmingham as an sxample of how banks have the power to "pull the plug on the entire community".

The British Bankers' Association said: "A bank thinks very carefully before it withdraws its services from a community, but it can't run uneconomic outlets."

The report is intended to be the first in an annual series.

Bankwatch UK National Report. NEF, 88-94 Wentworth Street, London, E1 7SE. £7.

Customs traces £1.96bn of VAT

By Andrew Jack

CUSTOMS AND EXCISE narrowly failed to meet its target of tracing £2bn in underpayments of value added tax, its 1992-93 annual report says.

It traced £1.96bn, out of a total of £63.5bn in VAT and duties raised during the year, up from £62.2bn in the previous 12 months. Costs rose to £879m from £797m.

There were 1.63m traders registered for VAT during the year, down from 1.68m, with new registrations totalling 187,000. Total tax written off or not pursued rose to £825m from £553m. Customs said the increase reflected the effects of the recession and also cases being processed more quickly.

There were 1,058 civil cases of VAT evasion, representing arrears of £17.2m, and 136 criminal cases which led to the imprisonment of 110 people. A total of 5,320 appeals were made to VAT tribunals from Customs' assessments, of which 1,806 were decided at a full hearing, with 431 found fully in favour of the taxpayer and 43 allowed in part.

The running costs of gathering trade statistics under the new EC singls market initiative were £14.7m, against a planned £15.9m.

During the year Customs seized consignments to Iraq in contravention of UN sanctions valued at £181,606. It brought prosecutions against a company and its owner for the export of riot gear to Angola without export licences. It seized more than £3m worth of strategic goods such as military and high technology industrial equipment and atomic energy materials.

The number of peopls searched at the borders of the UK fell 35 per cent to 36,646.

The 15.5m litres of unleaded pstrol released for consumption was for the first time almost equal to the amount of leaded petrol – 16.6m litres, down from 19m litres in the previous year.

Customs & Excise report. 1992-93. Cmd 2353. HMSO. £11.50

Need for stronger RSI evidence stressed

By John Mason,
Law Courts Correspondent

STRONGER medical evidence will be required if future legal actions claiming damages for alleged repetitive strain injuries are to succeed, specialist lawyers agreed yesterday.

Bnt the nnmber of actions set to come to court is unlikely to fall in spite of Thursday's ruling by a High Court judge that RSI was a meaningless medical term.

Lawyers working on personal injury cases were yesterday considering the implications of the judgment by Judge John Prosser in dismissing the case brought against the Reuters news agency by Mr Rafiq Mughal, a journalist formerly with the company.

The judge ruled that Mr Mughal's injuries, although genuine, had been caused by personal stress rather than his computer keyboard.

Mr Simon Allen, a solicitor with Russell Jones and Walker, a law firm specialising in industrial injury claims, said more precision would be needed in proving a causal link between working conditions and RSI-type injuries.

But his firm would not drop any of the 200 RSI cases – almost all involving the use of keyboards – it is handling of behalf of white-collar unions.

He suggested that a Court of Appeal ruling on the medical standing of RSI, which would be binding on lower courts, would assist future cases.

It is unclear whether tha Mughal case will result in such a ruling – the cash-strapped National Union of Journalists, which is bringing another 70 cases, has yet to decide whether to mount an appeal.

Mr Nigel Johnson, a solicitor with Cameron Markby Hewitt, a City law firm specialising in defending personal injury claims for insurers, said the judgment was good news for employers and insurers and would deter tenuous cases being brought to court.

He said: "Potential claimants might get the message that to succeed they hava to have very strong medical evidence to support their claim."

Mr David Scrutton of Kennedy's, one of the leading law firms acting for insurers in RSI cases, thought a fall in the number of cases was unlikely, however, and warned employers against a cock-a-hoop reaction to the judgment. "All the judge has done is highlight the debate. He has not altered things."

People suffered genuine injuries, he said. What those injuries were called might be open to question but employers would still be liable if negligence were proved.

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Plugs plan prompts cost fears

By Andrew Baxter

UK MANUFACTURERS of plugs and sockets are trying to kill a proposal for a common European system, which they say could cost as much as £20bn to introduce – about £1,000 for each UK household.

The proposed round-pin plugs would be unsafe if used in existing square-pin sockets and could seriously damage the British manufacturing base, they warn.

Mr David Dossett, director of the Electrical Installation Equipment Manufacturers Association, said about half the £1.3bn of capital employed by UK plug and socket manufacturers and subcontractors could be made redundant if the system was introduced.

Smaller plug and socket manufacturers could be forced to cease trading, with their place in the market taken by importers.

At issue is the future of both the British plug and socket system, with its three rectangular pins, introduced in 1947, and the latest in a number of attempts over the past 20 years to introduce a European-wide standard.

Supporters of standardisation say it would benefit travellers and create economies of scale for plug and socket manufacturers, and for producers of household appliances.

But the UK plug and socket industry – 20 companies employing 10,000 people directly and a further 10,000 in support jobs – says the proposal does not achieve genuine harmonisation, which it supports, and is unfair to the UK.

Under pressure from the European Commission, Cenelec, the European electrical standards setting body, has produced unpublished proposals for a system based on three types of round-pinned plug.

Mr Dossett said one of these – the existing 2.5 amp two-pin "Europlug" – fits many UK three-pin sockets. This is potentially lethal, he warned, because it is possible to touch the live pins when inserting or removing it, and because the plug is unfused. The UK system depends on fused plugs.

The UK system would therefore have to be replaced, causing "massive expense with no obvious payback", according to the association. Mr Dossett said thet using adaptors for the 800m sockets in the UK would have aesthetic drawbacks and possible safety implications because the number of electrical contacts would be doubled.

Plug manufacturers, meanwhile, would have to invest heavily in lathes to produce round pins, while European manufacturers would need to make only modest changes.

One other option is for the UK to get a "derogation", meaning that it would not have to abide by the proposals. The Commons trade and industry committee is due to consider the issue next month.

Warehouses threaten the club

Neil Buckley on prospects for traditional retail profit margins

BRITAIN'S retailers are bracing themselves for the arrival of a new form of shopping, warehouse clubs, after a High Court ruling on Wednesday gave the go-ahead to the country'e first such development at Thurrock in Essex.

The UK's three biggest supermarket chains, J Sainsbury, Safeway and Tesco, asked the court to quash planning permission granted to Costco, the US warehouse club operator, by Thurrock Borough Council. They argued that the project should have been assessed as a retail operation, rather than as a wholesale operation, and so have been subjected to tougher planning controls.

Mr Justice Schiemann rejected the supermarkets' application, clearing the way for Costco to open the club on November 30. Costco has two other projects under way, while Nurdin & Peacock, the UK cash-and-carry operator, is building two warehouse outlets and Littlewoods, the department store chain, has a joint venture with Price Club of Canada to open a warehouse club in Liverpool.

But while warehouse clubs are expected to expand quickly in the UK they seem unlikely to "revolutionise" UK retailing. It has also become apparent that Wednesday's ruling has not ended the debate about whether warehouse clubs should be treated as retailers or wholesalers. The supermarket chains are still considering further legal action.

Warehouse clubs have been the fasteet-growing form of selling in the US for the past 10 years, achieving sales of $34bn (£22.5bn) last year.

The clubs are huge and rather spartan out-of-town warehouses selling a selection of goods from cornflakes to camcorders at prices 25 per cent or more below the high street. But they sell in bulk, only to fee-paying members.

Warehouse clubs undoubtedly offer big savings, bnt there are several factors which suggest their impact in the UK may be limited. One is that there is no evidence that UK shoppers will be as willing as US counterparts to drive long distances to shop, or buy in bulk, even though it has become commonplace for retailers to talk of a growing price-sensitivity among British consumers.

Many bargain-hunters may find their desire for lower prices satisfied by fast-expanding high-street discounters such as Kwik Save and Shoprite, without the need to travel to warehouse clubs.

While clubs' ranges stretch from mincemeat to motor lawnmowers, they offer only 3,500 product lines, compared with about 16,000 in a typical grocery-only superstore.

Moreover, the clubs are not open to everyone – and that was the basis for the court ruling. If there was a restriction on who could shop at a warehouse club, Mr Justice Schiemann said, it was not open to "visiting members of the public" and so was not a retailer.

Members will have to be businesses, or belong to groups such as charities or churches. The clubs are only interested in those who buy in bulk.

Finally, analysts' estimates of the potential size of the market for warehouse clubs range from about £1bn sales a year to £3.25bn a year, from between 30 and 50 outlets.

But even £3.25bn would represent only 2 per cent of UK retail sales, and compares with the more than £10bn turnover achieved by Sainsbury alone last year. As only about half of the clubs' turnover is expected to be accounted for by food, they are unlikely to take large sales from supermarkets.

Mr Paul Morris, retail analyst at Goldman Sachs, the investment bank, said: "Evidence in the US is thet the clubs cream off a little bit of business across a range of sectors."

But the impact of warehouse clubs may be more subtle than stealing sales from the high street. Their most important effect may be to set a new low price "floor", leading to increased competition on price among retailers accustomed to large profit margins.

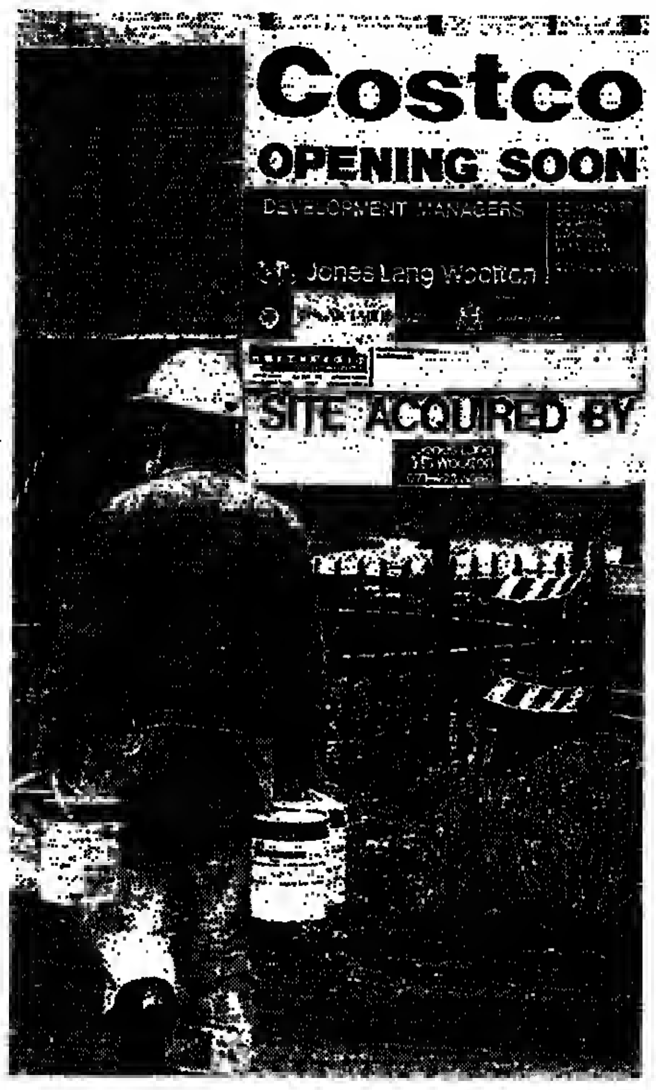
ASDA, the food retailer, yesterday fuelled speculation about a new round of supermarket price wars by freezing more than 5,000 grocery prices until next January, Philip Rawstorne writes.

Retail food stocks came under pressure in a second successive day of heavy trading. Kwik Save fell 9p to 642p, Sainsbury closed 6½p off at 395½p, Tesco slipped 3½p to 203p, and Asda was 1½p lower at 54p.

Mr Allan Leighton, Asda's marketing director, said the move was to mark the anniversary of the relaunch of the "Asda price" advertising slogan.

City analysts said Asda's move was an attempt to regain market share from existing rivals. It was likely to put pressure on other supermarkets to hold prices down.

One analyst said: "We are not going to see many price rises in the supermarkets."



Associated Press

Britain's first warehouse club being built at Thurrock, Essex

Canary discharged without a flap

By Andrew Jack

ONE OF THE most complex administrations under UK insolvency law ended successfully yesterday in the High Court in London with just seven words from the Chancery vice-chancellor, Sir Donald Nicholls.

"I approve the discharge with immediate effect," he said after a 35-minute presentation on behalf of the administrators by Mr Jonathan Mance, QC.

Approval from the courts was the final step required 28 days after creditors voted for a voluntary arrangement after Canary Wharf first entered administratiou in May last year.

It followed his provisional approval on October 19 subject to there being no objections or challenges to the plan.

It clears the way for payment of a first dividend to creditors by the end of January next year. The administrators ultimately forecast total dividends of 15p.

This payment will go to an estimated 1,400 unsecured creditors who voted in favour of the exit strategy from administration.

A further 25p in the pound will be paid as dividends to the 130 constructiou trade creditors to provide warranties to them on work already done.

Yesterday's approval means that Sylvester Investments – named after the cartoon cat that pursued Tweety Pie, the canary – will become the holding company, with shares held by the 11 creditor banks.

Sylvester will control a separate vehicle called Canary Wharf Holdings, which will in turn own Canary Wharf Limited, the operating company for the Docklands development.

Pay for MPs set to rise by 5.5%

By David Owen

PLANS to offer MPs a two-year 5.5 per cent pay rise prompted fierce criticism yesterday.

Under propoeals to be debated next Wednesday, MPs would be awarded a 2.7 per cent increase, taking their salaries to £31,687 with effect from January 1994. This would be followed by a further 2.68 per cent the following year. The government also proposes to link MPs' pay to a range of civil service bands.

The government is this year seeking to impose a 1.5 per cent ceiling on the public-sector pay bill, and may try to impose a freeze next year.

Mr Michael Bates, Tory MP for Langbaurgh, said: "It is an absolute outrage. This is a time when we are asking all public servants to play their part in having a pay freeze."

Mr Alan Jinkinson, leader of Unison, Britain's biggest union, said: "It would be grossly hypocritical for ministers and MPs to vote themselves an increase nearly twice the figure to which public-sector workere are being restricted this year." Mr John Edmonds, leader of the GMB general union, said: "Aren't they the lucky ones? I wish our members had the chance to vote themselves a pay rise at twice the rate of inflation."

Officials said the proposed increase was a catching-up exercise. A formula linking MPs' pay to the civil service was abandoned more than a year ago when civil servants' rises were made dependent on performance. MPs' pay has been frozen since then, while civil servants have seen increases of 3.9 per cent from August 1992 and 1.5 per cent this year. Last year MPs voted themselves a 38 per cent rise office-cost allowances to nearly £40,000 a year.

Police chiefs back diluted reforms

THE ASSOCIATION of Chief Police Officers yesterday welcomed the home secretary's ditching of controversial proposed reforms of police pay and conditions.

Mr John Smith, association president, welcomed Mr Michael Howard's decision to reject the recommendatioue in the Sheehy report that junior ranks be employed on fixed-term contracts, starting salaries cut and pension qualifications changed. Mr Howard also intends to water down the suggested formnla for performance-related pay.

Mr Smith said: "The home secretary has listened to arguments that we and others presented. There's much more yet to discuss and to debate ... We will be wanting to continue to argue, bnt we believe with what the home secretary said yesterday he's taken [the] police service and therefore the public back from the precipice."

Mr Richard Coyles, Police Federation chairman, agreed that there was much still to be debated, with pay rates an important example. He said discussion of the rates was bsck where it belonged, in the police negotiating body.

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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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Monetarism in retreat

REMEMBER the days, not so very long ago, when fighting inflation was the sole aim of monetary policy, when fixed rules were thought the best guide to monetary policy and when fine-tuning demand by using fiscal policy was a cardinal sin? Times have changed. Slow growth is now the number one enemy for most policymakers, discretionary monetary policy has replaced fixed rules, and fiscal-activism, where possible, is positively encouraged. Monetarism is out of fashion - Keynesianism is back.

US officials, in both the Bush and Clinton administrations, have led the new rhetoric, repeatedly calling for lower interest rates in Europe and tax cuts in Japan. And Federal Reserve chairman Alan Greenspan was one of the first to spot that slow growth and indebted banks, rather than inflationary pressure, were the main threats to economic stability. The Fed cut short-term interest rates early and sharply before the US recession began, dragging long-bond yields down to record lows. Mr Greenspan has also ignored the siren monetarist voices who have argue that double-digit narrow money growth spelt inflationary dangers ahead.

But, for all its lecturing, the US has not been able to use fiscal policy to stimulate its sluggish recovery. With the US budget deficit expected to be nearly 4 per cent of gross domestic product this year, a further fiscal stimulus might well have provoked a rise in long-term bond yields and choked off America's still sluggish recovery. Instead, reversing the Keynesian logic, the promise of future fiscal tightening has been used to keep bond rates down.

Japan, not the US, has been most effective at translating the Keynesian rhetoric into reality. Blessed after years of restraint with a large structural budget surplus, the Ministry of Finance has sanctioned three successive fiscal packages to revive growth, switching a general government budget surplus of 1.8 per cent of gross domestic product last year to a deficit of 0.1 per cent next year.

Risky strategy

Yet, so far at least, Japan has little to show for its efforts. Output and retail sales are still falling, the volume of bank lending continues to contract and the OECD has already downgraded its forecast for Japanese growth this year to zero. Not surprisingly, another fiscal package is rumoured to be in the pipeline: a Y5,000bn (£31bn) tax cut, to take effect next April, followed by a consumption tax rise in 1995.

This is a risky strategy: the negative effects of a prospective consumption tax increase could blunt the stimulative effect of the income tax cut. In any case, it is doubtful whether fiscal policy alone can revive Japanese growth. No one can be sure whether Japan's sluggish credit growth is caused by low demand from its bloated, job-shedding companies, or by restricted supply of credit resulting from the parlous state of bank balance sheets. But so long as monetary growth remains sluggish, the outlook for economic recovery looks poor.

Germany, meanwhile, has experienced a huge and unexpected Keynesian boost, followed by high interest rates imposed by an unflinchingly monetarist central bank. As the growth effects of the fiscal boost have dwindled, so this tight monetary policy has bequeathed a recession which may yet deepen. Only five of Germany's six economic research institutes were able this week to predict a modest economic recovery next year. The Berlin-based, and Keynesian-leaning, Deutsches Institut fur Wirtschaftsforschung (DIW) produced its own minority report predicting a further fall of 0.5 per cent in output in the western Länder, after a 2 per cent fall this year.

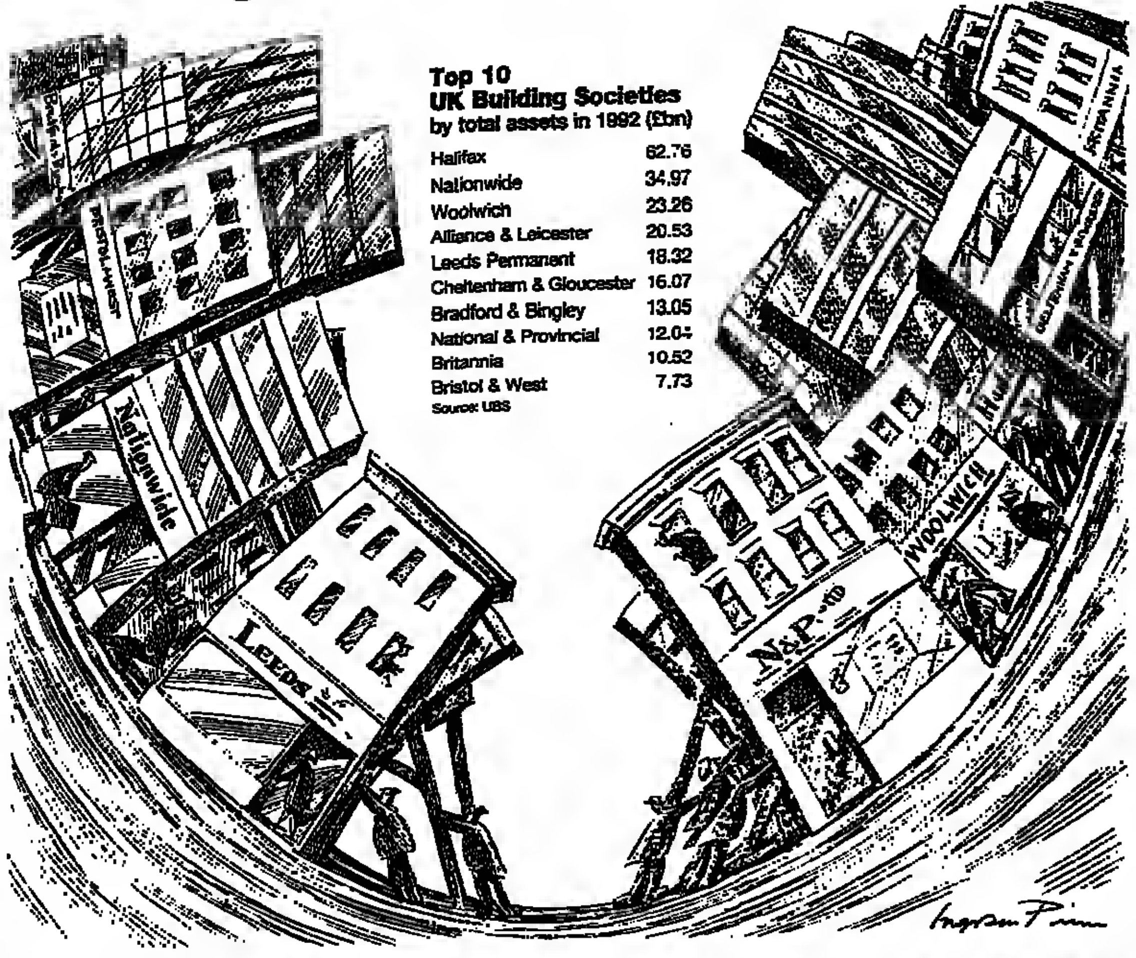
Inflation-fighting

The DIW report called for lower interest rates and public investment to revive the economy. But, like the US, Germany does not seem to have room for a further Keynesian stimulus. This year's public sector borrowing requirement is already expected to reach 7.5 per cent of GDP, a third higher than the largest US deficit in the 1980s. More encouragingly for growth in Germany and Europe, the Bundesbank appears to be edging away from its earlier monetarist rhetoric. Bundesbank President Hans Tietmeyer used a speech this week to reaffirm his inflation-fighting credentials. But less than a week earlier, he justified a surprise half-point cut in German interest rates by emphasising the need to stimulate the German economy, while downplaying the fact that broad money growth is still running outside its target range.

There is one European capital which is defiantly refusing to enter the pro-growth era. Since the collapse of the exchange rate mechanism this summer, the French government has continued to link its monetary policy to that of Germany by trying to maintain a stable D-Mark-franc exchange rate. In so doing, it has refused the significant cut in interest rates that France's low inflation rate justifies. As a result it continues to pay a heavy price in terms of depressed growth and high and rising unemployment. In Paris, at least, monetarism lives on.

Sense and sensitivities

John Gapper and Alison Smith on UK building societies' resistance to mergers



Top 10 UK Building Societies by total assets in 1992 (£bn)

Halifax	62.76
Nationwide	34.97
Woolwich	23.26
Alliance & Leicester	20.53
Leeds Permanent	18.32
Cheltenham & Gloucester	16.07
Bradford & Bingley	13.05
National & Provincial	12.04
Britannia	10.52
Bristol & West	7.73

Source: UBS

This has not been a happy week for Mr Michael Varney, general manager of the tiny Bexhill-on-Sea Building Society. After 80 years gathering deposits and lending mortgages from its single branch, his society is to disappear. Its 3,000 savers and 600 borrowers are throwing in their lot with the Bradford & Bingley Building Society, which is 750 times larger in terms of assets.

Bexhill-on-Sea could hardly resist the might of Bradford & Bingley. But it was a different matter for the two societies which this week disclosed the failure of their attempt at merger. Leeds Permanent and National & Provincial abandoned plans to create the third-largest UK society, having found too wide a gulf in their management cultures.

The societies had settled contentious issues such as their future name and chief executive - the society would have been called Leeds Permanent and been headed by Mr David O'Brien, N&P's chief executive. But the senior managers seem to have decided that it would be hard to combine Leeds's traditional management hierarchy with N&P's emphasis on teamwork.

The failure saves the 1,600 staff who would have lost their jobs as overlapping branches closed. But it raises questions over the apparently inevitable process of consolidation among the 88 remaining societies, and throws into further doubt the outcome of the struggle between banks, societies and life insurers to sell financial products.

Mr Varney says the Bexhill-on-Sea gave up the ghost because of the growing weight of regulation. He will now take early retirement after 40 years in the industry. "You reach the point where it is a crushing and expensive burden for a small society, and you cannot go on any more," he says.

Many of the tiny societies formed in the 18th and 19th centuries as mutually owned savings clubs appear to have only a limited life. They are being forced into mergers either because they have run into trouble through ill-advised lending, or because they cannot compete with the marketing and branch networks of the largest societies.

Until this week, the over-capacity in the retail financial services industry which has led to big cuts in banks' branch networks also seemed to be bearing down hard on medium-sized societies such as National & Provincial. Fierce competition seemed to be forcing them to grow through merger, or risk becoming also-rans to Halifax or Abbey National.

Many societies think that, in order to compete with banks, they will have to offer a range of products including credit cards, insurance and cheque books. An amalgamation between two societies that complement each other's branches and products offers each a way of developing a full service at a lower cost than doing so alone.

But the Leeds/N&P failure highlights a crucial weakness in this argument. Because societies are mutually owned by their borrowers and savers, there is little short-term pressure on them to merge. Indeed, the cost-cutting and rationalisation which might attract shareholders of public companies can pnt off savers who feel sympathetic to local branch staff.

The lack of external pressures on societies was one reason why the last big amalgamation - between the Nationwide and Anglia societies in 1987 - took several years to be a merger in anything but name. The societies preserved their separate identities under the same banner, pushing up the Nationwide's costs and producing limited benefits.

A study by Touche Ross management consultants last year concluded that mergers between equal-sized societies causes more difficulty than "takeovers" of small ones. "You have got to have a senior partner, otherwise there are three years of struggle to find compromises," says Mr Donald Kirkham, chief executive of Woolwich, the third-largest society.

This lesson has been reinforced just as several top 10 societies appear to be struggling to find a direction. Bristol & West, the 10th-largest society, which has suffered from poor lending in the south during 1989 and 1990, has said that it is looking for a merger after the departure last month of chief executive Mr Tony FitzSimons.

Mr Mike Blackburn, chief executive of Halifax, argues that there is "clear over-capacity" in retail financial services. "How many personal financial services providers of national stature is there room for?" he asks. Mr Peter White, chief executive of Alliance & Leicester, says that large mergers remain inevitable for this reason.

But the internal obstacles to society mergers - in spite of the general pressure to consolidate - have prompted questions over whether there is an alternative. The most obvious would be the takeover of a medium-sized society by a bank. Most speculation has focused on Lloyds, which tried to take over Midland last year to reduce industry over-capacity.

Other clearing banks have also cast covetous eyes on some societies. The chief executive of one high-street bank says that he has examined at least three societies. He says that the advantages would be access to cheap retail deposits, and an immediate share of mortgage lending.

Yet banks cannot simply launch hostile bids for societies. There are two obstacles. One is that societies can only merge if their members - consisting of their savers and borrowers - vote for it. The second is that the industry is regulated by the Building Societies Commission, which is widely seen as hostile to tha notion of banks acquiring societies because of the complications it would create for supervision.

All this raises the prospect of a stalemate among banks and societies. Nearly all agree that there are too many suppliers of retail financial services, but the short-term pressures on societies may not be strong enough to force them to overcome the obstacles to big mergers. The issue will only come to a head when over-capacity has cut profits substantially.

For societies such as Bristol & West, it is not a happy prospect. They face struggling on in a difficult market, with no prospect of escape through a large merger. The Leeds/N&P failure has not put off forever the consolidation of societies, but it has shown there could be a painful wait for it to happen.

A very British clash

Chris Tighe on two society cultures that refused to gel

However sudden the abandonment of the Leeds Permanent-N&P merger may have seemed, it came as no snrprise to many employees in Yorkshire's close-knit building societies.

From the ontset the proposed deal was viewed with scepticism locally. How, one employee of a rival society asked this week, could the conventional Leeds ever have merged with a society which allowed a middle-ranking employee to buy a fonr-year-old Porscbe, using a company scheme?

"Most Yorkshire societies," he said, "would very strongly dissuade the employee from it."

Some of the financial gossip in Yorkshire may be a little extravagant in describing the yawning gap between the two societies' management styles - "feudal" and "off the wall" ware among the epithets used to cbaracterise, respectively, the Leeds and the N&P.

But tbere is no disguising the glaring difference between the sober culture of the Leeds, said to be "hierarchical", by one employee, and the more innovative approach of N&P, where staff are "players", the executives are the "direction management team", the marketing department is called the "customer requirements process" and meetings are styled "events". N&P has three "role levels" of staff; Leeds has 15 grades.

N&P's unorthodox management style has even fostered a witticism. "At these events, thay go on talking until there are no more challenges to proposed changes," says one insider. "It gives a new meaning to 'three-day eventing'."

"It's just not British. It's an American-based system of equality," says Mr David Holmes, Yorkshire Building Society's communications director. "A lot of the stuff seems like gobbledegook science fiction. We all know the realities of working for large organisations."

He adds, bowever, that Mr David O'Brien, N&P chief exeentive, termed "messianic" by some rivals has created a strong body of disciples among his staff, committed to his approach. "The people who work there find it invigorating," says Mr Holmes.

At the Leeds imposing new headquarters many employees including middle management - a level the N&P calls "managers of implementation" - were evidently not ready to follow a new messiah. "There were a lot of people celebrating in the pub on Tuesday night," says a Leeds middle manager.

After the announcement, staff at both organisations were instructed not to talk to the media. Bnt a few, anonymously, were willing.

"When I heard the merger had been called off, I had mixed feelings," says one Leeds HQ employee. "It was good news because it was 1,600 jobs saved, and that's 1,600 families. Bnt on the other hand the merger would have made us stronger and better able to compete against the Halifax."

At N&P, the staff association chairman, Ms Janet Wojtkow, says "players" were relieved, although some were disappointed too, having seen in tha merger the opportunity for career progression.

"We remained to bc convinced the merger was in the interest of the staff," she adds. "Our feelings have been proved right."

For the N&P, the merger debacle has prodnced some unflattering comment on its management style. "Onr customers don't see us as some kind of wacky organisation," said the company's spokesman.

The feeling that N&P was not "British" reflected, he snggested, the British wariness of change. "While the rest of the world is looking at new ways of working, we don't adopt them. N&P has implemented them successfully."

MAN IN THE NEWS: Alexandre Lamfalussy

Blueprint for a banking baron

In endorsing Mr Alexandre Lamfalussy to head the new European Monetary Institute, European Community leaders have chosen a man who shuns the limelight but who is not afraid to put forward trenchant views.

The EMI, which will have the job of preparing for European economic and monatary union at the end of this century and is expected to be n forerunner of the planned European central bank, will be headed by a firm believer in international monetary co-operation, and someone who has been o persistent advocate of greater European integration.

He will have little sympathy for the UK government's determinedly anti-federal European stance, and still less for London's view of the EMI as a low-key institution. From the Bank for International Settlements in Basle, where he is currently general manager, Mr Lamfalussy has been scathing of UK policy in the past. In the early 1980s he dismissed the first Thatcher government's adherence to dogmatic monetarism, without regard to soaring unemployment, as being akin to an experiment in the natural sciences rather than o balanced economic policy.

Mr Lamfalussy was one of four outside experts appointed members of the Delors committee of central bank governors, which in 1988 and 1989 drew up proposals for the EC's move towards Emu that became the basis of the economic and monetary aspects of the Maastricht treaty.

He can claim to have invented the EMI. Mr Lamfalussy was a prolific contributor to the Delors committee's discussions, writing three special papers on aspects of Emu. In one, he proposed that EC central banks should create a joint subsidiary for the second stage of Emu which would centralise some of their operations and perform certain of their functions. This in effect wae a blueprint for the EMI, although Mr Lamfalusey had in mind a more powerful body than the new institute is likely to be.

The paper's contents - a mixture of academic reasoning and a strong awareness of power relationships, the art of the possible and the technicalities of financial markets - bore witness to his varied career.

Mr Lamfalussy is a Belgian citizen who has moved from academia through commercial banking to the top of the BIS, the central bankers' bank. A sprightly-looking 64-year-old, ha was born in Kapuvar, Hungary, and fled to Belgium 20 years later to escape communism. He has been honored with a barony by his adopted country.

In Belgium, he studied economics at the University of Louvain, Belgium's premier university for economic studies, until 1953, when he moved to Nuffield College, Oxford, as a research student.

He combined the careers of a bank economist and academic until the mid-1970s, by which time he had become an executive director of the Banque de Bruxelles and chairman of its executive board, as well as a professor at Louvain. Shortly after Banque de Bruxelles merged with Banque Lambert, he moved to the BIS in 1976 as economic adviser and head of the monetary and economic department, becoming BIS general manager in 1985.

With his high forehead and serious spectacles, he looks very much the academic. As befits a professor, he is precise in his diction, and speaks perfect, accent-free English. He is famously discreet and would never divulge anything about the monthly talks among central bankers at the BIS.

Although he has never worked in o central bank, he has earned the central bankers' respect. "He is one of the tribe," says a senior European central bank official.

In e debate, says the official, he is able to eccommodate and bring together the views of several factions. But Mr Lamfalussy does not believe that burying his own beliefs is a necessary part of diplomacy.

"If you look at successive BIS annual reports, you see someone who is willing to go significantly furthar than most internotional bureaucrats in giving an analysis whiah sticks its neck out, says something substantive rather than tired clichés and is sometimes quite imaginative," says Prof Richard Portes, director of the Centre for Economic Policy Research, London.

As one of those rare officials who straddles the world of economics and finance, Mr Lamfalusey has shown a good nose for defining issues and proposing solutions, well in advance of the herd. He has been in the forefront of those expressing concern that the fast-growing involvement of banks in derivatives could pose systemic problems for the banking system. In 1991, he warned of problems facing Britain from its membership of the European Exchange Rate Mechanism.

His willingness to stand up and be counted owes much to the fact that the BIS is not controlled by individual member states. Its ownership, with 84 per cent of the stock held by more than 30 central banks and the remainder by private shareholders, is sufficiently diffuse to keep carping governments at bay.

Wa have still to see how the EMI develops. If Mr John Major, UK prime minister, has his way, its future will be less than glorious. Other EC leaders are keen, however, to see it supervise and rehabilitate the European Monetary System in the second stage of Emu, starting on January 1, and pave the way for a European central bank.

Mr Lamfalussy is keeping his own counsel on his plans for the EMI. He intends to use the time between now and the end of the year to work out his strategy and priorities.

Some commentators have lamented the EC's failure to attract a senior central banker to head the EMI. But, according to Mr Portes, Mr Lamfalussy's experience in running the BIS could be an ideal apprenticeship for putting the EMI on its feet.

Since it was set up in 1930 to manage the transfer of German's reparations after the first world war to allied governments, the BIS has seen great changes in its structure and functions. Mr Lamfalussy has succeeded in carrying on this tradition, putting the BIS at the centre of efforts to achieve common rules on prudential supervision for international banks, for example.

"For a long time he has faced the problem of finding roles in life for his present institution," Mr Portes says. Now he must find a role for the EMI over the next three years.

Peter Norman

Rave parties flourish in the UK at the expense of other leisure industries, says **Rachel Johnson**

Pounding sound of cash

Clouds of smoke from dry ice parted to reveal Lisa, aged 19, on a concrete breeze-block, clad in hot-pants and platform boots, jerking her body to the beat that pumped from the sound system.

Her eyes were shut and in one hand she held a small bottle of Evian mineral water. It was 4am at the Ministry of Sound, the south London night club, and the Friday night rave had only just got going.

A decade ago, Lisa might have been sipping lager at a friend's house, or more probably at that hour tucked up in bed. But increasing numbers of her generation are spending their time and money in a new wave of clubs – of which the cavernous Ministry of Sound, run by James Palumbo, son of property-developer Lord Palumbo, is a thriving example.

The club has a no-alcohol, no-drugs, no-weapons policy, enforced by hulking bouncers. The attraction is the rave culture of all-night dancing in a sweaty, intimate atmosphere induced by the stimulant Ecstasy which is taken by many dancers before they arrive, or secretively when there.

It is about seven years since rave – which combines hedonistic Mediterranean discos and the electronic dance music of 1970s New York and Detroit – seized the imagination of Britain's 15 to 24-year-olds. But it is only this week that its economic impact – in particular on the nation's pubs and off-licences – has been quantified.

According to estimates from the Henley Centre, the research institute, young people make 1m visits to raves each week. Each time, they spend as much as £35 and stay up to 24 hours.

The annual spending at raves is estimated at between £1.5bn and £2bn – five times more than total UK spending on cinema admissions, and equivalent to a quarter of spending on spirits. In addition, up to a third of those at a rave will have taken drugs such as Ecstasy – at about £15 a tab – speed (amphetamine) or cocaine.

The biggest losers have been pubs, where visits by young people fell by 11 per cent between 1987 and 1991. They are forecast by the Henley Centre to fall a further 20 per cent by 1997.

The trend will hardly thrill Britain's publicans. But there is reason for them, and other traditional leisure venues, to relax a little. Rave has been a fast-changing culture in its short life, and today's fads may look outdated in a year.

Among the cognoscenti, the original concept of a rave is already old-fashioned. Asif Noorani, a 21-year-old who writes about popular culture for the Modern Review magazine, says young people are rejecting the large, expensive raves that mushroomed in the late 1980s to seek a cheaper rave experience in clubs.

"'Rave' suggests hordes of 16-year-olds with bottles of Vick's VapoRub [which is inhaled to clear the head before taking Ecstasy]. The first ravers were people who [...] for Ecstasy, and didn't understand music," he says.

Until about 1989, rave centred on events in open fields in the West Midlands, for example, or on an "orbital rave" around the M25. Organisers of such raves had no licence to sell tickets; they took advantage of a legal loophole and claimed the gatherings were parties – and passed around a bucket for contributions.

"It was all about thousands of people taking as many drugs as possible, listening to hardcore music. It was illegal and therefore a kick," says Matthew Butcher, 16, a pupil at Pimlico comprehensive.

But under pressure from the government and residents, the police cracked down on raves organised without local council permission.

A number of entrepreneurs then tried to fill the gap in the market by organising licensed, mass-attendance raves costing up to £25 a head. These offered "interactive" alcohol-free entertainment, combining attractions such as laser shows, funfairs and trampolines with soft drinks and powerful sound systems. A sell-out crowd could generate an income of £400,000 a rave, excluding merchandise sales.

But the scene has changed again – partly because the profitability of organised large-scale raves did not last. Fantazia, one of the few surviving promotors, is organising a "dance party" to raise money for the Terence Higgins Aids charity in Glasgow next month. It is charging £25 a ticket but needs a 12,000 crowd just to break even. It expects to spend more than £300,000 on organising the event: security alone will cost £40,000.

Though the large-scale rave has probably peaked, experts agree with the Henley Centre that the culture is more than a passing fad. In the eyes of many young people, the new night clubs that offer a rave experience and that are replacing the large-scale events, have more of a buzz than pubs. Matt Paice, 21, a London student, enjoys a drink. But to him an average night out means "kids sitting at home having a puff on a joint and then going to a club".

Many young women, according to Lifeline, the Manchester drugs advisory agency, go to dance parties because it is more fun burning off calories there than at the gym. Women also find the atmosphere induced by Ecstasy – the so-called "hug drug", because it triggers empathetic emotions – less threatening than the alcohol-induced aggression of pubs.

"Unlike punk or grunge, raves are not a cult but rather a new leisure activity enjoyed by different types of young consumers," the Henley Centre concludes.

To combat the threat, pubs could offer themselves as rave venues. But the attraction of clubs such as the Ministry of Sound is that they do not open until midnight – and ravers want to escape the staid conventions of a night at the local. It seems decibels and mineral water will be the scene for some years to come.

Bulls show no sign of tiredness

Peter Martin examines the dizzying rise in global share prices

There is a dangerous moment in all bull markets when rising prices become their own justification, when investors find it hard to think of reasons why shares should not head upwards indefinitely.

That moment is with us now. As the Dow Jones Industrial Average reached a new record this week, briefly passing the 3,700 mark for the first time on Thursday, a straw poll of investors and analysts produced a striking consensus. The global bull market still has a way to run, they say: there are no real signs of danger.

"We've got this incredible situation where low interest rates make stock market investment almost a no-brainer," says Mr Martin Barnes, editor of the Bank Credit Analyst, a Montreal publication normally noted for its caution.

This confidence, widely shared, shrugs aside what in normal times would be clear signs of an over-extended market. Share prices have risen in a straight line almost everywhere for the past 12 months. Traditional measures of the value of stocks and shares are starting to flash warnings.

Smaller British companies sell at 30 times their most recent earnings. The dividend on the average US share represents a yield of less than 2¾ per cent, lower than at the peak of the 1987 boom. German shares have risen 37 per cent in the past year in spite of a worsening economic outlook. The Japanese equity market, though deprived of the steady rise seen elsewhere, has stayed well above the 20,000 mark on the Nikkei index even though the country is heading, on some estimates, for a period of damaging deflation.

Despite these warning signals, three factors lead to continued optimism.

● First, much of Europe still stands to benefit from falling interest rates, with perhaps 2 more percentage points to go. Falling interest rates are good for stock markets because they will lead in time to higher corporate earnings, and because they make shares seem more attractive compared with cash or short-term bonds.

● Second, though it is hard to see interest rates falling much further in the two other main economies of the developed world, the US and Japan, it is equally hard to see them rising in the near future. The classic credit cycle, in which falling interest rates lead to higher borrowing and ultimately to higher interest rates seems unaccountably delayed.

'Share prices have risen in a straight line almost everywhere for the past 12 months'

The bottom chart tells the story. In the developed countries, "narrow money", the money held for immediate transactions in the form of cash and current accounts, has been rising steadily, as governments have eased monetary policy to help pull their economies out of recession. But the broad measure, a wider definition of money including interest-bearing accounts, has fallen heavily, and has not yet shown a sustained upturn. It is broad money that influences future economic activity; because it is so weak, the normal economic upswing has been constrained.

Nonetheless, the easing of monetary policy is having its effect elsewhere in the financial system. "To put it in simplistic terms," says the Bank Credit Analyst's Martin Barnes, "that money has to go somewhere, so it finds its way into financial markets."

After the debt binge of the 1980s, both business and individuals are unwilling to borrow more; and banks have become much more cautious lenders. Economic activity is kept below the levels at which inflationary pressures emerge, so interest rates continue low. "There is too much cash or cash equivalent which is not producing the returns people got accustomed to in the past," says Henry Looser, head of private banking at Bank Julius Bär in Zurich. "There is still a lot of pressure to redeploy such assets, most obviously into the stock market."

In the US, where this pattern is most obvious, the rush out of interest-bearing deposits into mutual funds is overwhelming, running at a rate of $1bn a day this year.

● The third factor underpinning the optimism is the belief in a sea change in the outlook for world inflation. The rise in the Dow Jones Industrial Average on Thursday came about partly because the strong gross domestic product growth reported that day was accompanied by low US inflation figures: an annual rate of only 1.8 per cent in the third quarter, the lowest since 1986.

Inflation is low across Europe. Measured in terms of a basket of currencies, The Economist's commodity index shows prices 23 per cent below their 1985 level; food prices are 31 per cent lower than they were eight years ago; in nine of the 12 biggest industrialised countries, wages rose by less than 4 per cent in the past 12 months.

Is this atmosphere of confidence a sign that the market is reaching an unsustainable peak? Worryingly, perhaps, few people seem to think so. "Bull markets always last longer than people expect," says Michael Hart, joint manager of Britain's biggest investment trust, Foreign and Colonial.

That comment was repeated several times this week, itself an indication that sentiment is shifting from detailed justification of the market's rise to a more general belief in its self-sustaining properties.

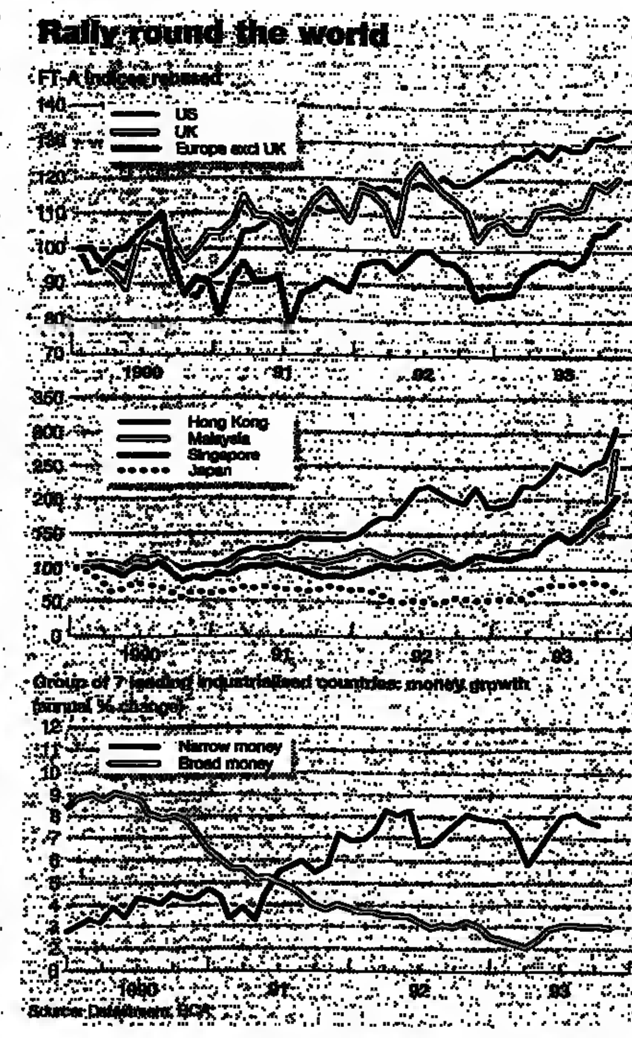
Even if the broad global rally is set to continue, however, there is still potential vulnerability in a few specific areas. The US market has appeared over-valued, in foreign eyes, for at least a year: to buy the shares in the Standard & Poor's 500 index you have to pay for 28 years of current earnings.

US investors' growing feeling that their bull market is mature has been reflected in a rush to invest in emerging economies overseas, pushing these generally illiquid markets up so fast they are vulnerable to any sudden shift of mood.

Such specific risks aside, there are two more general uncertainties. What if US interest rates start to rise? After all, long-term interest rates in the US have been falling for six years, almost exactly as long as the rally of the early 1980s which ended in the short but steep bear market in bonds of 1987. Though the Federal Reserve expects US economic growth to slow in the fourth quarter, and there is still no sign of higher inflation there, the interest rate cycle will undoubtedly turn in time. When it does, equities will also look less attractive – and the signal could also mark a turn in sentiment elsewhere.

And what if Europe's recession is longer and deeper than currently feared? Though the consensus view is for a recovery starting some time in 1994 in Europe's German heartland, there is a strong minority view that next year will again bring bad news, with no real upturn likely till 1995. Share prices may not reflect the damage that such a sustained recession could cause to Europe's big companies and to its political and social stability.

Still, even people who say, like Henry Looser, that "the economic situation in western European economies is much worse than people think" are optimistic about the effect on share prices – because they believe it will lead to a faster, deeper cut in interest rates. This form of financial alchemy, transmuting bad news into gold, surely signals the hour when a bull market starts to rely on its own momentum.



Hackneyed cabbies versus rank outsiders

FT writers on fare deals in taxis around the world

Love them or hate them: taxis prompt strong reactions. The taxi driver is often the first "local" you meet in a strange city, and the treatment you receive can set the tone for the whole visit.

Travellers like to think that someone in authority will have vetted the person at the wheel. But as our international round-up shows, this is not always the case. Friction between London's highly regulated black cabs and its unregulated minicabs (outside London, minicabs do have to be licensed) has persisted for at least 30 years. Black cab defenders argue that tough regulation is essential. Minicab supporters say there are already enough rules on the statute book to ensure, for example, that unsafe cars are not allowed on the road. Deregulation would reduce prices and increase customer choice, they claim.

To get at the truth, the UK government published a consultative paper on Wednesday seeking the views of travellers, cabbies' organisations and the like. If deregulation's supporters prevail, it could mean the end of the road for that evocative symbol of London – the black cab.

NEW YORK: New York taxi drivers have a fearsome reputation for rudeness and an inability to speak English, despite the fact that to drive a Yellow Cab they must pass an English proficiency test. They must also complete taxi driver school and pass a physical exam.

There are nearly 1,800 Yellow Cabs on the city streets, and more than 3,000 livery cabs whose drivers are not required to speak English since they serve ethnic communities. Most of the Yellow Cabs are Chevrolets, but this is not a requirement.

Fares are remarkably inexpensive. The meter starts at $1.50 (£1) when you get in ($2 after 8pm), and thereafter you pay 25 cents for every half mile. New York cabbies are often compared with kamikaze pilots – weaving in and out of traffic at high speed with little apparent regard for life or limb. On Tuesday, thousands of cab drivers marched to protest their lack of safety – 35 drivers have been killed in the city this year.

PARIS: The Paris taxi is one of the unsung bargains of the City. They tend to be far cheaper than their London counterparts – fares within the centre of the city rarely run to more than FFr40-FFr50 (£4.60-£5.70) – and cabbies tend to know where they are going. It is unusual for them to refuse to take you anywhere in the city unless, of course, your destination is on the *other* side of the *Périphérique*.

A trip in a Paris taxi also tends to be safe. The cabs are generally well-kept Mercedes, with the occasional Renault Espace. The drivers are prone to saving their tempers – and their impressive array of Gallic obscenities – for anyone foolish enough to drive or, worse still, cycle into their path, rather than for their passengers.

Tipping is not essential (although the drivers do their best to imply to tourists that it is) but it is polite to add a few francs to the fare.

MOSCOW: Taxi driving in the former Soviet Union is not for the faint-hearted: nor is being a passenger. Although state-registered cab drivers are formally required to pass a test showing knowledge of their city, entry on to the market of any driver willing to pick up a fare means that taxi driving has ceased to require any kind of skill beyond the ability to drive (and sometimes does not obviously include that).

It is very rare for a driver to put on the meter, assuming he has one: inflation has made the tariff structure meaningless. In practice, all fares are negotiations. Foreigners are expected to pay a premium.

Most unreasonable are the "mafias" outside big airports and hard-currency hotels: these enforce high prices on the mafia members (and thus on the customers) with a ruthless ferocity. One distinguished visitor told of hiring a car below the mafia price: the car was stopped as he left the airport, and his driver was led away and told to hand over his fee to the mafia leaders on pain of a beating.

Cars can be in any condition, often terminal.

LAGOS: The vital qualities for a Lagos cab driver are brinkmanship and skilled use of the horn. Although both driver and car show signs of the daily struggle, a good taxi driver will get through the traffic jams and road blocks in safety if not in comfort, and still manage a smile.

The official Lagos taxi is a bright yellow saloon, usually a Peugeot 504. The drivers must have an official certificate but are not examined on street knowledge. Taxis have fixed fares, about US$3 for 3km, but you usually need to bargain.

Unlicensed operators, known as cabo-cabo, are to be avoided.

TOKYO: The average white-gloved Tokyo taxi driver is confused not by a lack of street knowledge, but by a complex address system in which houses are distinguished by a three-tier number that jumps erratically out of sequence. This encourages the driver to leave passengers in the general vicinity of their destination.

Drivers are generally courteous, though they tend to prefer listening to baseball games or agony aunt-style radio programmes rather than their customers. The fare starts at Y600 (£3.70), though the government has suggested that fares be liberalised to encourage competition.

BUENOS AIRES: One of the few bargains on offer in an otherwise expensive Buenos Aires are its taxis. A three-mile trip will set you back about £3 – the price of a (small) beer.

Drivers are occasionally drunk, but the greatest threat comes from their disdain for the speed limit. They sometimes take offence at being told which way to go and dump their passengers there and then.

The taxi driver's favourite car is the Ford Falcon, production of which ended last year. Renault 12s are taking their place.

ROME: Italian taxi drivers are tested on their local knowledge and must obtain a certificate of good behaviour from the local prefecture. Then comes the hard part: would-be drivers must get a licence to operate.

For this he or she must wait for an existing driver to retire since the number of taxis is restricted. Rome has roughly 5,500 taxis for 4m inhabitants. A driver may unofficially lease a licence to someone else.

Local authorities fix standing minimal fares – in the case of Rome the metre fare starts at L6,400 (£2.60). A 3km ride in average traffic would cost about L12,000.

FRANKFURT: On the ride from Frankfurt airport, the taxi driver will do his best to accelerate to 200kmph within as short a time as possible and will invariably try to test the brake system by driving his Mercedes to within centimetres of cars in front.

There are 1,700 taxis in Frankfurt and, while there is no rule specifying the make of the cab, 70 per cent are Mercedes. The cars must be painted light yellow. The driver must be at least 21, have had a driving licence for a minimum of two years, and have passed a test on city knowledge.

A ride costs an initial DM3.80 (£1.50) plus DM2.15 or DM2.35 per kilometre, depending on the time of day. Drivers range from the garrulous and friendly to the taciturn and downright rude.

Reporting by Charles Batchelor in London, Karen Zagor in New York, Alice Rawsthorn in Paris, John Lloyd in Moscow, Paul Adams in Lagos, Robert Thomson in Tokyo, John Barham in Buenos Aires, Robert Graham in Rome and David Waller in Frankfurt


Fergus Wilde

Competition drive: supporters of London's black cabs defend tough regulation

Rail privatisation, with BR as a bidder, is route to necessary investment

From Lord Mountevans.

Sir, Your editorial "Right lines for rail privatisation" (October 21) unintentionally highlights the huge pitfalls that surround railway privatisation.

One of the benefits of the proposals (and the reason I have supported them in the House of Lords) is that they should open access to private capital for the expansion of railway investment which is needed now.

You point out that Sir Bob Horton, chairman of Railtrack, wants to involve private finance for infrastructure investment, yet while Railtrack remains in the public sector he will presumably be subject to the same constraints as is BR currently.

You acknowledge that short franchises are unlikely to attract the investment needed in new rolling stock, so where will the investment come from?

I would also challenge your view on Lord Peyton's amendment (which I supported), allowing BR to bid. The experience in Sweden, where this has been tried, is that the state railway, SJ, did indeed secure the majority of franchises, but that the stimulus of competition both improved services and helped to reduce costs by some 30 per cent.

It must be in the interests of the taxpayer for private bids to be tested against those of BR. It is certainly important in terms of the motivation and morale of the many railway staff that will remain with BR that it should not be seen as a "rump" operator, managing those parts of the network which are scorned by the private sector.

While those of us in parliament can legislate for privatisation, its successful implementation depends on the enthusiastic co-operation and participation of those who work for British Rail.

Mountevans,
House of Lords,
London SW1A 0PW

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Government must heed public in local government changes

From Councillor Josie Farrington.

Sir, David Curry may well believe what he says about the benefits of reorganising local government (Personal View, October 28), but the public does not – as polls carried out for the Local Government Commission in the first phase of the review so graphically illustrated. He should stop to consider the democratic implications of what he advocates.

By endorsing unitary councils, he and the government are pre-judging the will of the people and the outcome of the review. Despite government's claims that the wishes of the public would be of utmost importance in finding a new council system for England, it is becoming patently obvious that so long as ministers get what they want out of restructuring, then the public can just be ignored.

What kind of democracy do we live in when a secretary of state can launch an independent commission to examine an issue, gauge public opinion on it and then just disregard what people say? And when people are to be denied the choice of whether they have £1bn spent on local government reorganisation?

The will of local people must be heard in the local government review. By effectively limiting the choices of the public to what the government thinks is right, the government is ignoring the very people it claimed it would heed. Local democracy will suffer. And the public will have to foot the bill for bringing in unitary councils without being given much freedom to choose if they actually want to change their councils, and how.

If the government – unlike the people in tranche one areas, the Confederation of British Industry and Sir John Banham, chairman of the LGC – is so sure of its proposals for changing local government, then it should let them be judged fairly in the court of public opinion. If the people demand change, then so be it. But if they decide change is unnecessary, then the government must heed their views. To do otherwise would be an assault on their democratic rights and would call into question the independence of the commission and the validity of the review.

Josie Farrington,
policy committee chair,
Association of County Councils,
66a Eaton Square, London SW1

No sane way to generate jobs

From Mr Claude Roessiger.

Sir, It is impossible not to comment on EC social affairs commissioner Padraig Flynn's prescription that hours of work be reduced to generate employment ("EC plans 5 per cent jobless target", October 20). This is new Euro-madness – that the pie can be divided into smaller pieces leaving each with as much to eat.

The only way to increase employment is to increase productivity, thereby increasing wealth. It is either that or Pharaoh building pyramids (that is, the insanely ponderous governments of developed nations today). But that is slave labour in a managed economy – which generates neither wealth nor happiness.

Claude Roessiger,
vice chairman,
PAK 2000,
Mirror Lake,
NH 03583 US

Plucking the wrong geese

From Mr Peter Morgan.

Sir, Your leader, "How to pluck the geese" (October 27) does a disservice to the wealth-creating sector, which is your constituency. Government spending has risen by about 50 per cent in real terms since 1979-80. In the five years between 1992-93 and 1997-98 it is expected to rise by 32 per cent. In the five years to April 1994 government spending has been rising three times faster than taxes.

Public spending is forecast to be £314bn in 1995-96. A £20bn cut would be a reduction of less than 6.5 per cent. Few of your readers would balk at achieving such a budget reduction in their own business over a 30-month period. Most of them have already done it more than once.

You conclude: "Whatever Mr Clarke does, the geese will hiss. But he has no prudent alternative. They will have to be plucked once again." This is defeatist. The industrial sector went through the mill in the early 1980s recession. The service sector has gone through it in the early 1990s. Now it is the turn of the public sector. You are encouraging the chancellor to pluck the wrong geese.

Peter Morgan,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED

Blow a multimedia raspberry

From Mr David Jewsbury.

Sir, The convergence between telecommunications and cable television ("Multimedia superhighways", October 15) is truly remarkable and seems to promise us untold benefits. In the midst of all this high technology, can no-one invent a gadget which will identify and disconnect (preferably with a loud raspberry) Tania and Jacqui, the ubiquitous telesales persons who constantly try to sell me something I neither want nor need, usually at a time of greatest inconvenience.

David Jewsbury,
19 The Beeches,
Shaw Hill, Melksham,
Wiltshire SN12 8EP

New management puts strategy to banks

Queens Moat plans to form core hotel chain

By Maggie Urry and Michael Skapinker

THE ESSENCE of the business strategy Queens Moat Houses has put to its banks is a plan to form a core chain of 50 UK hotels, which will be rebranded and form a base for eventual expansion.

The new management expects to be ready to launch this chain by the first quarter of 1995. The 50 hotels are expected to contribute 80 per cent of budgeted trading profits for 1994.

The new chain, a name for which has yet to be chosen, will be "leading, three star plus" hotels, each with more than 100 rooms, located in or near city centres, and having a restaurant and bar.

QMH believes these can achieve "substantial increases in both trading profits and cash flows". The operational gearing in hotels is such that profits cao rebound sharply once occupancy and room rates are moving upwards.

The rest of the group's hotels, another 53 in the UK and 86 in continental Europe, will be put up for sale immediately. They will run for profit with the aim of maximising their value either through eventual sales or as additional security for the group's lenders.

Hotel sales in the present climate – with large numbers of UK hotels in receivership and the market in continental Europe worsening – are unlikely on a large scale although some, such as the Dutch hotels, are up for sale.

At the same time the financial restructuring will give the group a balance sheet more appropriate to its operations. This will involve a substantial debt for equity swap, cutting the interest charges QMH must service from its operation and giving the banks control of a majority of the equity. The exact size of the swap has yet to be decided but it is certain the existing shareholders will be substantially diluted.

Bankers who have seen the business plan say the new management team has put forward "sensible projections" which indicate a beginning of a recovery in UK profits in 1993 and 1994, with a larger rise later on. Profits from continental Europe are still under pressure.

In the UK occupancy rates began to pick up in late May and early June, QMH said yesterday, although room rates were still under pressure. A rise in room rates is expected in 1994, however.

UK hoteliers were increasingly confident that the downturn had ended, Mr Trevor Ward, a director of the Horwath hotels and leisure consultancy said yesterday. The consultancy's quarterly survey in September found that nearly 80 per cent of hoteliers questioned believed recovery had started, compared with 57 per cent three months previously. Over 80 per cent, however, believed full recovery was a year or more away.

Mr Maurice Segal, chairman of Expotel, a large reservations agency, said yesterday that QMH appeared to be trading reasonably well but that room rates for the industry were still lower than last year.

The plan assumes some revival in hotel prices in the longer term, which could even repay the group's loans in full. Ooe banker said yesterday, "If the banks sit tight the restructuring has to be better than receivership".

Trevor Humphries

Andrew Coppel (left), chief executive, with Stanley Metcalfe, chairman: the new management expects to be ready to launch the core 50 hotel chain by the first quarter of 1995

Former advisers face prospect of legal action

By Andrew Jack

THE FORMER professional advisers to Queens Moat Houses were keeping a low profile yesterday as the company contemplated legal action following the release of its substantially restated accounts.

Accountants, surveyors, stockbrokers and merchant banks all face the prospect of harsh shareholder criticism and possible lawsuits.

QMH stated publicly that it was "reserving its position" with respect to possible legal action against advisers.

Asked about the prospects for law suits, the company said: "In the army, this is what is known as a target-rich environment."

The company is believed to have consulted lawyers about litigation, and is initially focusing on those connected to the illegal decision to approve dividend payments which it did not have the profits to meet.

Much focus will be on Bird Luckin, a small accountanting firm which audited the accounts, and the former auditor from which, Mr Maurice Hart, joined the QMH board.

Prior-year adjustments in the restated accounts for 1991 reduced pre-tax profits from £90.4m to losses of £56.3m.

Weatherall Green and Smith, the chartered surveyors, was the only firm willing to comment, and yesterday vigorously defended its valuation of properties.

It placed a value on the company's assets at December 31 1991 – which was adopted in the 1991 audited accounts – of £2bn.

Its own valuation one year later was about £1.3bn, and the valuation adopted for the 1992 accounts by another surveyor, Jones Lang Wootton, was £861m.

Mr Terry Knight, senior partner of Weatherall, said: "We stand by those figures. I can understand the layman's difficulty in understanding them but we happen to believe that our figures are right."

Other advisers included de Zoete & Bevan and Beeson Gregory, the stockbrokers, and Charterhouse, its merchant bank.

Depth and complexity of the problems stuns City

By Peggy Hollinger, Michael Skapinker and Maggie Urry

"TAKE a map of the London underground, superimpose it on Network South East and you get some idea of the complexities." So Mr Andrew Coppel, chief executive, describes the challenge of sorting out the troubled hotels group Queens Moat Houses.

Observers were stunned yesterday at news that Britain's third largest hotels group had incurred pre-tax losses of £1.04bn, and had been operating for at least two years with virtually no financial controls.

"We never had a whiff of it," the head of a rival hotel group said yesterday. While the industry knew the City had concerns about the group's debt, QMH's hotels had seemed operationally sound.

Mr John Bairstow, the former chairman who left after the group was plunged into crisis talks with its bankers in March, would have held the same view. "It was a growth company and was doing extraordinarily well," he said yesterday. "The thing that went wrong was insufficient profits in 1992."

Mr Bairstow, wbo created the south of England estate ageots Bairstow Eves, is unashamed of bis entrepreneurial habits, which some have blamed for QMH's troubles today. "When a company is run with an entrepreneurial flair, it is not the way accountants would run it . . . with everything done absolutely properly, and due diligence on every acquisition and disposal."

Mr Bairstow was unquestionably the driving force behind QMH. The story is well documented of how he built the company out of his froot room, opting to run an 18-room hotel from his Tudor home in Essex.

Less well documented is just what happened within the company to bring it virtually to its knees. QMH was hailed as a doyenne of the leisure sector in the late 1980s when year after year it produced strong profits. Other leisure groups were puzzled by its achievements and attributed them to the lean central office.

Mr Trevor Ward, a director of the Horwath hotels and leisure consultancy, says the group's small head office and the management incentive scbeme appeared to fit in with the fashion for cutting central overheads and delegating responsibility. "They took it to extremes. They were delegating responsibility but retaining no control."

The latest revelations show that QMH's real achievement was in making a string of acquisitions which buoyed profits growth but were basically unmanageable with the group's resources.

It was also able to enhance profits by booking in early the earnings from hotels which were run on an incentive scheme. Managers undertook to pay a proportion of forecast sales to QMH over a certain period of time. QMH booked the total fee up front instead of as they arrived.

The report issued to banks showed QMH had no monthly consolidated management accounts which would allow the board to monitor the group's progress or that of the hotels on the incentive scheme.

Board directors were generally kept ill-informed, claim insiders. Although given documents as they entered the boardroom directors were asked to surrender them as they left.

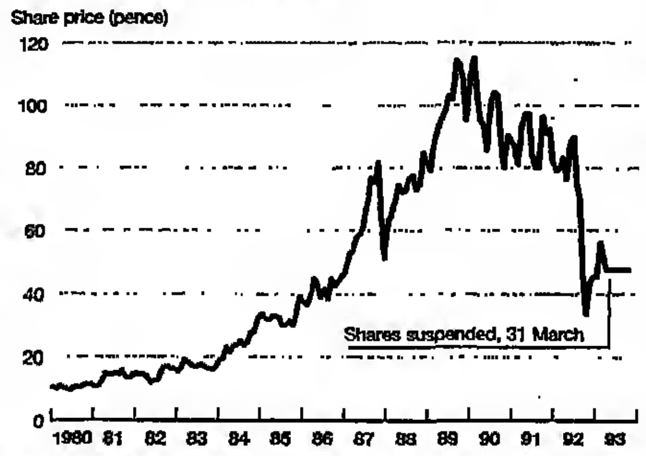
Yesterday's statement also reveals that there had been no proper treasury function. That lack, say insiders, resulted in a foreign exchange fiasco which forced debt up by some £130m in 1992.

That year was the watershed for QMH. The market was expecting profits of some £80m for the year to December 31, a forecast which now looks ridiculously high.

During 1992 the group installed an incentive scheme in Germany, which insiders say turned a group of hotels making operating losses into contributors of more than £20m in profits. Coincidentally, Mr Martin Marcus, the deputy chairman, aroused controversy just before the results were to have been announced when he sold 1.1m shares at a profit of £600,000.

Such entrepreneurial flair appears somewhat tarnished when confronted with yesterday's results. Evan Mr Bairstow will admit that his style of management may not be appropriate to the 1990s. "I never felt I was entirely wrong, but if I had run the company more conservatively it would be much smaller and . . . safer today."

Queens Moat Houses



Source: Datastream

1968	John Bairstow begins hotel career
Apr 1982	Buys 26 hotels from Grand Metropolitan for £30m
Nov 1986	Buys Dutch Bilderberg Hotels for £15.5m
Aug 1987	Buys 8 Globana hotels for £73.8m and 16 Crest hotels for £73.7m
Oct 1988	Buys seven Crest hotels for £96m
Feb 1990	Wins control of Norfolk Capital for £157m
Aug 1990	Buys 49 per cent of HI Management of France for £30m
May 1991	£184m rights issue; paid £45m for 15 continental European hotels
Jun 1991	Issues £180m of convertible cumulative redeemable preferred shares
Aug 1992	Net debt of £790m revealed with interim results
Mar 1993	Shares suspended
May 1993	Martin Marcus, deputy chairman, and David Hersey, finance director, resign
Jul 1993	Bairstow to quit as chairman; eight other directors resign

Exceptionals and interest charges behind £1.04bn loss

By Maggie Urry

THE DETAIL of Queens Moat Houses' 1992 results reveals a staggering list of exceptional items and prior year adjustments, headed by a property revaluation cutting assets by £803.9m.

The accounts have been prepared on a going concern basis assuming the financial restructuring now being discussed is completed and the group's banks continue to support it. Even without the property write-down, Mr Andrew Coppel, chief executive, said that a refinancing would have been necessary as the group could not service its debt.

Although the group almost broke even at the operating level, losing £700,000 compared with a restated profit of £22.4m, exceptional debits of £939m and interest charges of £112.6m gave a pre-tax loss of £1.04bn.

The 1991 pre-tax profit of £90.4m was restated as e loss of £56.3m before tax following changes in accounting policies.

Tha £146.7m difference included £50.9m of depreciation which the group had not previously provided and maintenance expenditure which it had formerly capitalised. Other changes related to profits on fixed asset sales which had been overstated, expenses which had been capitalised and sale and leaseback transactions which have now been treated as finance leases.

The total loss for 1992 was £1.07bn (loss of £102.5m), and losses per share were 116.4p (8.5p).

Interim results up to July 4 show an operating profit of £9.1m, but after net interest of £57.5m, the pre-tax loss was £48.4m. The group said it could not restate the 1992 interim figures as the papers from which they had originally been constructed could not be found. In August last year the group reported an interim pre-tax profit of £38.1m.

The end-1992 balance sheet showed net debt of £1.17bn and negative net worth of £368.9m. By July 4 debt had risen to £1.18bn and negative net worth fallen further to £435.5m.

Fixed assets, shown in the 1991 accounts at £2.12bn had fallen to £891.1m by the end of 1992 and £855.7m by July 4.

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
FT-SE Actuaries Indices				
100 Index	3125.1	3028.1	3018.5	2850.7
Mid 250	3493.1	3450.2	3441.5	3228.5
350 Share	1559.6	1517.8	1513.5	1426.8
Industrial Group	1549.16	1526.61	1518.58	1430.61
500 Share	1653.57	1623.43	1614.52	1521.62
Financial Group	1202.11	1130.84	1130.74	1074.45
All-Share	1544.31	1505.06	1498.55	1413.38
Eurotrack 100	1339.43	1279.00	1284.68	1226.39
Eurotrack 200	1412.29	1358.56	1365.85	1280.39
FT Indices				
Government Securities	102.80	101.97	101.35	98.10
Fixed Interest	124.22	123.75	122.70	116.75
Ordinary	2363.5	2348.4	2371.0	2242.4
Gold Mines	210.2	171.2	205.5	225.2
SEAQ Bargains(5.00pm)	32,100	29,485	35,715	28,485

	Highest Close Oct	Lowest Close Oct
FT-SE 100	3199.0 (22nd)	3039.3 (1st)
FT-SE Mid 250	3547.0 (22nd)	3426.7 (1st)
FT-SE 350	1593.6 (22nd)	1516.7 (1st)
FT-A All Share	1577.12 (22nd)	1506.65 (1st)
Ordinary	2409.5 (22nd)	2312.5 (1st)

NEWS DIGEST

Gieves £0.8m in the black

GIEVES Group, the retailer, licensor and publisher, achiaved pre-tax profits of £837,000 in the six months to July 31, against losses of £941,000.

Turnover of continuing operations was £8.84m (£8.3m). Earnings per share came through at 5.4p (6.6p losses).

Mr Tom Scruby, chairman, said he expected the second half to show an improvement over the first.

The shares gained 11p to 56p.

Bourne End

Bourne End Properties yesterday reported lower losses for the half year to end-June and said it had requested a temporary suspension of its shares.

Dealings were suspended at 97p pending the outcoma of talks which may lead to "substantial acquisitions."

Pre-tax losses were trimmed to £145,000 (£543,000). Losses amounted to 1.7p (6.5p).

Dares Estates

Dares Estates, the property investmeot and development group, reported pre-tax losses down from £2.87m to £1.8m for tbe half year to June 30. Income rosa from £2.9m to £3.4m.

Losses per share came out at 0.28p (2.08p).

EW Fact

Shares of EW Fact wera suspended at 104p yesterday pending epproval by shareholders for a significant acquisition.

Tbe USM-quoted company provides classes and publishes texts for students preparing for accountancy and banking exams and the proposed acquisition is a market leader in this field, the company said.

Consideration Is £11m in shares and the issue of guaranteed loan notes to the vendors.

The company also reported a rise from £403,000 to £602,000 in pre-tax profits for the half year to June 30. Turnover increased from £2.35m to £2.45m. Comparisons were adjusted to conform with FRS 3.

An interim dividend of 1.76p (1.6p) is payable from earnings of 5.36p (3.51p).

BBB Design

BBB Design Group, the USM-traded company which takes in design, marketing and computer related services, reported a deficit of £154,000 pre-tax for the 12 months to April 30.

The outcome, on turnover of £1.89m (£1.65m), compared with restated losses of £427,000.

Losses per share narrowed from 4.57p to 1.84p.

TDS Circuit

Cost cootrols, together with a rednction in interest charges, enabled TDS Circuits, the USM-traded printed circuit board maker, to reduce losses from £488,000 to £196,000 pretax for the six montbs to August 31.

Toroover totalled £3.4m (£3.5m) and losses per share emerged at 3.84p (7.08p).

Clayton, Son

Clayton, Son & Co, the Leeds-based engineer, announced pre-tax losses narrowed to £1.26m, against £1.39m, for the six months to June 30.

Turnover amounted to £5.33m against £6.29m, including £599,197 from Baxter Crushers, sold in June 1992.

Losses were 47.78p (49.24p). The shares dipped 5p to 68p.

High-Point

High-Point, the consultant and project promoter in the engineering and construction industry, cut its deficit from £3.18m to £440,000 pre-tax over the year to May 31.

Losses per share emerged at 8.6p (53.5p) and there is a single dividend payment of 0.5p (1.3p). The shares responded with a 9p rise to 40p.

Turnover of continuing activities slipped from £44.8m to £42.6m. Exceptional provisions on continuing operations amounted to £825,000 (£1.66m).

Fortune Oil

Mr Daniel Chiu, chief executive of Fortune Oil, the exploration and development company which was created in August via a reverse takeover of Blackland Oil by Kingsleigh Petroleum of Hong Kong, said the group's main earnings and asset base was now in Hong Kong and China.

At the same time ha announced the results of Blackland and Kingsleigh for the six months to June 30. Blackland incurred a loss of £163,000 (£203,000), before and after tax, on turnover of £226,000 (£172,000). Losses per share emerged at 1.63p against 2.04p.

Kingsleigh Group made after-tax profits of $1.1m (£720,000) on turnover of $92m.

Neepsend

Improved manufacturing efficiency and reduced costs were bebind the jump in pre-tax profits from £102,000 to £472,000 at Neepseod, the engineering group, in the half year to September 30.

Turnover of continuing operations advanced to £8.63m (£7.86m). An increased dividend of 0.5p (0.25p) is payable from earnings of 1.52p (0.42p). The shares closed 6p up et 37p.

Broadgate Inv Trust

Broadgate Investmant Trust, whicb came to the market in August 1992 to manage a limited portfolio of the largest capitalised UK companies, yesterday announced results from April 14 1992 – the date of incorporation – to end-September 1993.

Since August last year, net assat value had risen more than 29 per cent to 119.68p.

A dividend of 1.8p is payable from earnings of 2.16p.

British Assets

Net asset value at the Ivory & Sime-managed Britisb Assets Trust rose from 89.85p to 109.11p over the year to September 30.

Net revanue amounted to £16.2m (£15.6m). A proposed final dividend of 1.07p lifts the total to 4.28p (4.19p), again uncovered by earnings of 4.16p (4.02p) per share.

Benchmark

A stronger performance by its overseas division enabled Benchmark Group, the property investor, to swing from losses of £12.18m to profits of £77,000 pre-tax for the year to June 30.

Earnings per share emerged at 0.048p (losses 7.725p).

Turnover was little changed at £16.3m although last time's figure of £16.7m includad £15.7m from discontinued operations. The 1992-93 results were prepared in accordance with FRS 3.

James Fisher

Profits at James Fisher fell from £1.81m to £304,000 pre-tax for the half year to end-June and the interim dividend is omitted – 0.5p was paid previously.

Turnover fell from £17.5m to £15.9m.

Overseas Inv Trust

Overseas Investment Trust lifted net asset value per share from 368.8p to 399.3p over the 12 months to September 30.

Earnings were 4.04p (3.53p). A final dividend of 2.3p makes a 3.15p (2.8p) total.

North American

North American Gas Investment Trust had a net asset value of 100.4p at July 31, a year-on-year rise of 81 per cent. Losses were 8.54p (0.87p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Assets	fin	1.07	Jan 7	1.07	4.28	4.19
Broadgate Inv	fin	1.8	Dec 23	-	1.8★	-
EW Fact §	int	1.76	Dec 3	1.6	-	4.31
Fisher (James)	int	nil	-	0.5	-	1
High-Point	fin	0.5	Nov 5	nil	0.5	1.3
Neepsend	int	0.5	Jan 15	0.25	-	0.75
Queens Moat	fin	nil	-	1.54	1.395	2.882

Dividends shown pence per share net except where otherwise stated. ★For 14 months

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
170	F.P.	-	178	172	BSM	174		W5.78	0.7	4.2	44.5
100	50	-	62	53	BZW Endowment Fund	50		-	-	-	-
§480	F.P.	-	475	450	Cantab Pharmaceuticals	455		-	-	-	-
125	F.P.	-	168	125	CentraGold	163	-4	-	-	-	-
105	F.P.	-	95	93	Fleming Chinese Inv Tst	93½	-½	LN2.0	2.7	1.5	28.8
-	F.P.	-	50	53	Do. Warrants	50	-1	-	-	-	-
-	F.P.	-	111	105	Gartmore Shared Equity	108	+1	M8.6	-	11.1	-
-	F.P.	-	104¾	101½	Do. Zero Div. Pf.	102½		-	-	-	-
100	F.P.	-	96	89	HTR Japanese Smaller	92	+2	-	-	-	-
-	F.P.	-	54	43	Do Warrants	45	+1	-	-	-	-
130	F.P.	-	141	139	Hamlet	139		L5.8	2.0	5.2	12.1
-	F.P.	-	15	10	Lon. Fin. & Inv. Wrrts.	14½		-	-	-	-
§120	F.P.	-	134	127	Parkdean Leisure	134	+1	W4.35	2.0	4.1	18.4
-	F.P.	-	5⅛	4¾	Regent A	5¼		-	-	-	-
§280	F.P.	-	423	315½	Rolfmoore Intl. Units	410	-3	W12.52	2.5	3.7	13.2
-	F.P.	-	323	303	Scotia	305		-	-	-	-
-	F.P.	-	11	9	4Select Industries	9	-½	-	-	-	-
135	F.P.	-	141	141	Smaller Co's Inv Tst C	141		-	-	-	-
§115	F.P.	-	123	114	WE Holdings	118	+1	L3.5	2.6	3.8	12.5
-	F.P.	-	339	311½	Vendome Luxury Uts.	316		W07.68	2.8	2.4	14.7
§170	F.P.	-	323	280	Virtuality Group	282	-6	-	-	-	-
-	F.P.	-	3½	3	Wiggins	3½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	92½	89	Ivory & Sime Ent. Cap. Cv Ln 2000	92	+1
-	F.P.	-	115½	104½	Natl. Power 6¼pc Cv Bds 2008	115¼	+½
-	F.P.	-	101½p	100¼p	Sun Alliance 7⅜pc Pf	100¼p	-¼
-	F.P.	-	117	107	Wilson 6¼pc Bds	117	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
8	Nil	29/11	1pm	1pm	Birkdale	1pm	
370	Nil	12/11	65pm	55pm	Blick	65pm	
30	Nil	10/12	4pm	¾pm	Costain	¾pm	-½
80	Nil	10/12	29pm	25pm	Fenner	29pm	+3
1	Nil	1/11	1pm	½pm	4Flagstone	½pm	
187	Nil	10/12	35pm	28pm	Frost	35pm	
150	Nil	2/11	23pm	18pm	JIB	23pm	
280	Nil	2/11	77pm	48pm	MB Caradon	77pm	
376	Nil	6/12	135pm	115pm	Matthew Clark	135pm	
330	Nil	29/11	68pm	56pm	Mersey Docks	67pm	
28	Nil	2/12	14pm	8pm	Safeland	8pm	-2
195	Nil	12/11	26½pm	22pm	Takare	22pm	
2½	Nil	10/12	¼pm	¼pm	Wentworth	¼pm	
15	Nil	27/11	3pm	3pm	Wescol	3pm	
215	Nil	8/12	38pm	31pm	Yule Catto	38pm	+1

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 25
- Last Dealings Nov. 5
- Last Declarations Jan. 27
- For settlement Feb. 7

3-month call rate indications are shown on page 9.

Calls: Aegis, Aminex, Burton, Business Tech., Cluff Res., Greycoat Pref., Kewill, Learmonth, LIT Pref., Lon. Securities, Prospect Ind., Rhino, Telemetrix, Vodafone. Puts: Tiphook, Vodafone. Put & Call: First National.

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Number of debt-reduction possibilities under consideration

Lep reduces losses to £5.05m

By David Blackwell

LEP GROUP, the freight forwarding and security company which was last year restructured by its banks, has cut its interim pre-tax loss from £14.7m to £5.05m.

However, Mr David James, the company doctor who was appointed chairman by the banks, yesterday reiterated the health warning he made at the AGM in July.

"We don't feel the investing public has realised thet there is no prospect of a dividend in the foresseable future," he said.

The company was looking at a number of possibilities for the future, he said, and might float off all or part of the equity in core husinesses to reduce its debt, which stood at £340m at the end of the first half.

The pre-tax outcome was struck after a £1.77m loss for the disposal of property and £17.5m of net intersst payable.

While the interest charge was down from a previous £23.7m, the company said it was still high in relation to profitability. This reflected the fact that the residual debt is attributable to losses on former activities and discontinued operations.

Total operating profit rose from £13.4m to £14.8m. The latest figure included a contribution of £71,000 from associates, compared with a loss of £137,000 last time.

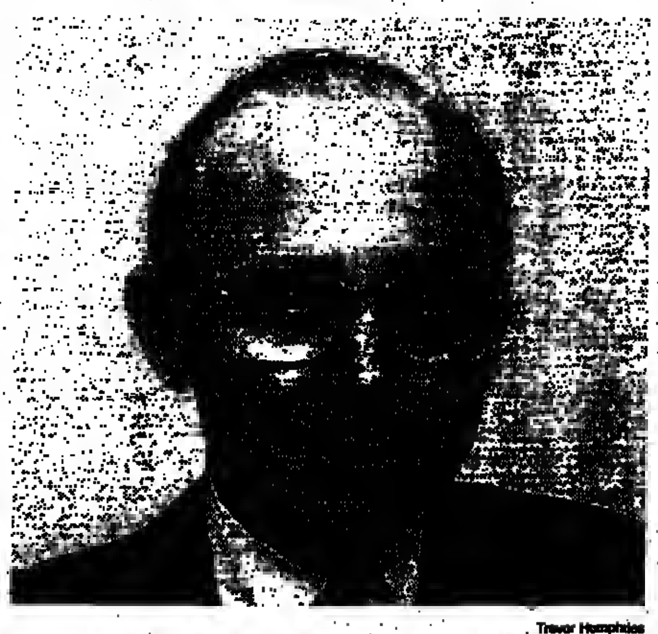
Mr James said the group's trading activities had benefited from the stability following restructuring in August last year. This had helped investment in the freight forwarding division, which would have a long-term benefit.

Operating profits in the division fell from £6.52m to £3.45m. However, the division is expected to be ahead in the full year as the latest figure reflects an adjustment in the accounts for last year.

Operating profit at the National Guardian Corporation increased from £8.84m to £10.6m. The group said a small improvement in its trading performance had been enhanced by the sterling-dollar exchange rate.

Total turnover was unchanged at £703m. However, last time's figure included £8.42m from discontinued operations.

Losses per share fell from 12.7p to 0.7p.



Trevor Humphries

David James: no prospect of a dividend in the foreseeable future

Revamped Flextech shows increased midway deficit of £3.2m

By Catherine Milton

FLEXTECH, the cable and satellite television group, yesterday announced pre-tax losses of £3.2m for the six months to June 30, against a deficit of £2.91m in the comparahle period which covered the six months to September 30.

Losses per share deepened to 6.68p (5.86p).

The results reflected the change in tha accounting year from March 31 to December 31 and included only media interests following the disposal of the oil services interests, completed in July 1992.

The company, which earlier this week announced plans to buy for shares the European programming business of Tele-Communications by Christmas, increased sales to £2.66m (£2.15m).

The deal would give TCI, the US broadcasting company, which is itself in merger talks with Bell Atlantic, a controlling stake in the enlarged company, more than doubling Flextech's capitalisation to £200m.

"Notwithstanding the losses incurred during the period the board, given the changes taking place, are convinced of the potential of the core business and look forward to the future with confidence," said Mr Stanislas Yussakovich, chairman.

Flextech, which holds a 50.1 per cent interest in The Children's Channel and will hold 39 per cent of The Family Channel, also plans to hold 85 per cent of Action Stations, a project to open children's indoor play areas in the UK.

The sites will consist of games and play areas combined with retail outlets and food facilities. Flextech said participants will include The Discovery Channel, TCC and TFC.

Tiphook to pay interest on $350m-worth of loan notes

By Richard Gourlay

TIPHOOK, tha UK container leasing and transport rental group, said yesterday that it would be paying US bondholders the interest on two unsecured loan notes worth $350m (£232m) which falls due on Monday.

The decision to maka the payments will relieve some of the pressure from bondholders in the US while the group works ont a refinancing arrangement with its bankers.

Had the group decided not to pay the interest immediately, it could have taken advantage of a 30 day grace period before it would have been in breach of the terms of the notes.

Time running out for Greycoat rescue architects

By Richard Gourlay

EFFORTS to construct a financial package to save Greycoat, the ailing property company, from liquidation are taking longer than the architects of the rescue, Mr Julian Tregor and Mr Bryan Myerson, had expected.

Greycoat and its advisers have only one full working week before passing a 30-day deadline within which it is required to rectify a breach of the gearing covenant on the zero bonds. Trustees for bondholders would then have to consider whsther to issus default notices.

The two corporate financiers, who advise the UK Active Value Fund, said they were arranging a rescue shortly after share and bondholders rejected proposals for a £120m rescue package from Postel, the UK's largest pension fund.

GPA signs rescue deal with GE

By Roland Rudd

GPA GROUP, the Irish aircraft leasing company which has been struggling with debt of $5.8bn (£3.76bn), yesterday signed its rescue deal with GE Electric of the US.

Mr Dennis Stevenson, chairman of his own consultancy groups, the SRU, and the Tate Gallery, has agreed to become non-executive chairman.

GPA has finalised plans for a $150m capital raising, the granting of options to GE Capital, GE's financial services arm, to take control of the company, and the deferral of $750m of debt repayments for three years plus the injection of $150m of new money.

Although the deal was largely agreed in May, ths complexity of the documentation has delayed finalisation until now. It is designed to give the company the stability to enable it to reduce deht through aircraft sales within three years.

GE Capital will hava an option to huy up to 67 per cent of the company by March 1998, paying between $110m and $165m. For three years after that it can buy further shares and could take 100 per cent control of GPA.

GPA will pass management of its assets to GE Capital Aviation Services, under a 15-year contract.

Its new chairman will be Mr Tony Ryan, who is steping down from the aircraft leasing company he founded in 1975. An arbitrator is still looking into his $2m claim for compensation for loss of office.

Spring Ram shares dip as Masco talks break down

By Catherine Milton

SPRING RAM said yesterday that Masco Corporation had withdrawn from bid talks after the kitchens and bathrooms group, where changed accounting policies recently revealed heavy losses and gearing, told the US building products company its price range was too low.

Shares in Spring Ram dropped 4¼p to close at 55¼p – little more than a third of the year's high of 146½p but above its recent 40p low.

Mr Roger Regan, chairman, said: "They did not make an offer. Tha price they were thinking of was too low." He said he valued the company mors highly than ths Americans: "At that point Masco decided thet their ambitions to buy the company at a bargain price would not be fulfilled so they continued discnssions abont othar issues."

Mr Regan said Masco made a number of products snch as taps and valves which Spring Ram might buy and that co-operation on fabric design was possible.

He said the board was now concentrating on the future: "We are just getting on with the hard work we have got to do on our organisation, getting our marketing effort sorted out and things of that sort.

Masco Corporation declined to comment.

Flotation expected to value Azlan in excess of £40m

By Alan Cane

AZLAN GROUP, a distributor of advanced computer networking systems based in Wokingham, Berkshire, is expected to have a market capitalisation in excess of £40m when it comes to market later this month.

Ths pathfinder prospectus was published yesterday and impact day is November 12. Dealing in the shares will start on November 24.

The placing and intermediaries offer is designed to raise some £7m, out of which £1m will hs accounted for in expenses and £1.3m will be used to redeem preference shares held by existing institutional investors. The balance of £4.65m will be used to strengthen the group's capital basa, enabling it to exploit future business opportunities.

Azlan also published results for the half year to September 30 yesterday. It made pre-tax profits of £1.88m on turnover 69 per cent up at £28.5m. For the year to March 31 pre-tax profits were £2.9m on turnover of £41.2m.

Azlan was formed in 1984. In 1991 Mr David Randall, the current managing director, led a management buy-ont supported by a group of institutional investors including CINVen.

The company has taken an approach to networking distribution which demands thet it adds significant added value to the 500 or so products it sells.

Distributors are now faced with choosing between selling high volumes of product at low margins or smaller product volumes of new and innovative products which can benefit from Azlan's networking skills.

Azlan aims "to maximise the sales of a product in the early days of its life before competition and familiarity with the product erode the initial higher margins," Mr Randall says.

The vendors from which it buys products include Digital, intel, Lotus, Microsoft and Novell. It is not an easy strategy to follow but one which should guarantee higher profitability than conventional electronics distribution. Azlan's skills include network infrastructure and integration, network management and workgroup productivity.

The prospectus points out that in addition to expanding its market share and range of products, Azlan intends to estahlish new husinesses in contineotal Europe.

Exceptionals push LIT £21m into the red

By David Blackwell

LIT HOLDINGS, the marketing services, investment and fund management group, plunged deeply into the red in the first half, reporting a pre-tax loss of £20.6m.

The deficit follows exceptional items of £27.5m related to the sale in July of LIT America, its US futures and options clearing subsidiary, for $23.6m (£15.6m). The sale resulted in a loss of £7.7m and a charge, under FRS 3, of £19.8m for goodwill previously written off to reserves.

In the first half of 1992 the group made a pre-tax profit of £2.22m.

The group is planning to restructure and change its nams to Johnson Fry Holdings. Mr Paul Gildersleeves, company secretary, said yesterday that the restructuring would mark the end of a troubled period of three or four years, leaving the company to face the future without debt.

The company is repaying its £12m of outstanding debt through the proceeds of the LIT America sale and profits from Johnson Fry, the UK financial services company, this year.

Johnson Fry boosted operating profits from £2.4m to £7.73m. Turnover rose from £12m to £24.7m – higher than for full year 1992, when turnover was £22.5m.

Mr Gildersleeves said that Johnson Fry's performance had been boosted by its success with business expansion schema issues. The company raised £281.5m of BES funds in the half compared with £98.2m in first-half 1992 and £159.2m for the whole of last year.

Business expansion schemes, which end this year, accounted for 62 per cent of the turnover. Mr Gildersleeves said it was inevitable revenues would dip next year.

The company would concentrate on investment management and residential property management.

Losses per share were 42.9p (earnings 1.8p). Without the LIT America charge, earnings would have been 5p.

ECONOMIC DIARY

TODAY: Kuwait state security court verdict on 11 Iraqis and three Kuwaitis charged with involvement in alleged plot to assassinate Bush in April; Dhaka, anti-fundamentalist groups call for half-day national strike.

SUNDAY: referendum on new Peru constitution.

MONDAY: Maastricht Treaty comes into force; Italian CPI; US NAPM; final results – Morgan Grenfell Equity Income Trust.

TUESDAY: UK official reserves (Oct); US leading indicators; Bank of England Quarterly Bulletin (Nov); New York mayoral election; other state, governor and local elections – governor in Virginia and New Jersey; tax revolt propositions in 20 states; California education voucher vote; Indian bank staff plan nationwide strike.

WEDNESDAY: cyclical indicators for the UK economy (Oct); overseas travel and tourism (Aug); major British banking groups' mortgage lending (3rd qtr); major British banking groups' quarterly analysis of lending (3rd qtr); advance energy statistics (Jul-Sep); London sterling certificates of deposit (Sep); mortgage lending (3rd qtr); international banking statistics (2nd qtr); monetary statistics (including bank and building society balance sheets; bank and building society sterling lending (Sep); and M4 MO figures (Oct); and M4 quarterly sectoral analysis (3rd qtr); Bill turnover statistics (Sep); sterling commercial paper (Sep); money market statistics (September); advance energy statistics (July-September); German unemployment (possible); US Fed 'Beige Book'.

THURSDAY: details of employment, unemployment, earnings, prices and other indicators; housing starts and completions (Sep); Bundesbank council meeting; French money supply; US factory orders; weekly money supply and new jobless claims; final results – British Petroleum.

FRIDAY: insolvency statistics (3rd qtr); insolvency petitions (3rd qtr); German industrial production (poss); US monthly employment report and consumer credit; final results – Gartmore European Inv.

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied-Lyons	550	52½	62½	67½	10½	18	28½
(*580)	600	21	33	40½	33	38	51
Argyll	280	25	33½	38	11½	15	20
(*296)	300	14	23½	29	22	25½	33
ASDA	50	7½	9	11½	3	4	5
(*54)	60	3	4½	6½	8	16	11

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BTR	360	17	27½	30½	4	9½	15½
(*372)	390	3½	12½	16	22½	28½	32½
Brit Telecom	460	12½	22	29½	7½	19½	23
(*462)	500	1½	7	13½	30	46	48
Cadbury Sch	414	69	75½	78	1	2½	6½
(*478)	463	6	21	25	19	28	38½

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	120	15	20	23	4	8½	10½
(*126)	130	8	15	16	8½	14	15½
Natl Power	390	31	41	47½	5	10½	16
(*417)	420	13	23½	30	17	22½	29½
Scot Power	360	33½	39½	47	3	9	11½
(*415)	420	13	21½	29	13	21½	24½

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS		Cadburys	[illegible]	HSBC (75p shs)	[illegible]	Reltners	[illegible]	Brit Land	[illegible]
Allied-Lyons	[illegible]	Charter Cons.	[illegible]	Hanson	[illegible]	Reed Intl	[illegible]	Land Sec.	[illegible]
Amstrad	[illegible]	Comm Union	[illegible]	ICI	[illegible]	Sears	[illegible]	MEPC	[illegible]
[illegible]	[illegible]	Courtaulds	[illegible]	Ladbroke	[illegible]	SmithKline Beecham A	[illegible]	■ OILS	
[illegible]	[illegible]	Eurotunnel	[illegible]	Legal & Gen	[illegible]	T.I.	[illegible]	[illegible]	[illegible]
BOC	[illegible]	FKI	[illegible]	Lex Service	[illegible]	TSB	[illegible]	BP	[illegible]
BTR	[illegible]	Forte	[illegible]	Lloyds Bank	[illegible]	Thorn EMI	[illegible]	Burmah Castrol	[illegible]
Barclays	[illegible]	GKN	[illegible]	Lonrho	[illegible]	Tomkins	[illegible]	Premier Cons	[illegible]
Blue Circle	[illegible]	Gen Accident	[illegible]	Lucas Inds	[illegible]	T & N	[illegible]	Shell	[illegible]
Boots	[illegible]	GEC	[illegible]	Marks Spencer	[illegible]	Unilever	[illegible]	■ MINES	
Bowater	[illegible]	Glaxo	[illegible]	NatWest Bank	[illegible]	Vickers	[illegible]	RTZ	[illegible]
Brit Aerospace	[illegible]	Grand Met	[illegible]	P & O Dfd	[illegible]	Vodafone	[illegible]		
British Steel	[illegible]	GRE	[illegible]	Racal Elect	[illegible]	Wellcome	[illegible]		
				Rank Org	[illegible]	■ PROPERTY			

FT FIXED INTEREST INDICES

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Year ago	High*	Low*
Govt Secs (UK)	102.57	102.55	102.96	103.35	103.24	94.44	103.60	93.28
Fixed Interest	124.55	124.25	124.83	124.80	124.54	108.58	125.20	108.67

[illegible]

GILT EDGED ACTIVITY

	Gilt edged bargains	5-Day Average
Oct 28	[illegible]	[illegible]
Oct 27	[illegible]	[illegible]
Oct 26	[illegible]	[illegible]
Oct 25	[illegible]	[illegible]
Oct 22	[illegible]	[illegible]

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Aluminium prices hit 8-year lows

THE SHAKY foundations of the aluminium market slipped again this week, allowing prices for the metal at the London Metal Exchange to subside to the lowest levels for eight years.

The three months delivery position closed yesterday at $1,067.50 a tonne, down $5.25 on the day and $47.75 on the week, after the already-tottering market was shaken by news of another five-figure addition to the record stocks in exchange warehouses.

Most of the week's fall happened on Tuesday, when long-standing support around the $1,100-mark gave way under the weight of gloomy world economic conditions, the seemingly inexorable stocks rise and continuing unrestrained exports from the former Soviet Union.

On his return from talks in Brussels, Mr Alexander Shokhin, Russia's deputy prime minister for foreign economic relations, said in Moscow on Wednesday that agreement had been reached with the European Commission on the outlines of a solution to the row over the aluminium exports with which his country is flooding the world market.

But with details of the agreement's thorniest component, the ceiling to be set for Russian exports, remaining to be decided the market was able to take little heart from that.

Although the pace of the fall was slower during the second half of the week most analysts thought it would only be a matter of time before a bear assault was mounted on the next technical support area, around $1,050 a tonne for three months metal. And if that gave way the market could soon find itself within hailing distance of 45 cents a pound ($991 a tonne), which the Anthony Bird consultancy group has identified as "a disaster price" that would quickly force western producers to close another 2m tonnes of annual capacity, on top of the 1.4m tonnes already temporarily shut down.

Early in the week zinc had been among the weakest of the LME contracts, the three months price falling $32.50 to $920 a tonne at one point. That fall was regained with interest, however, as buyers were encouraged by persistent, though unconfirmed, rumours that a European production cut announcement was imminent. At yesterday's close the three months price stood at $958.75 a tonne, up $9.25 on the week.

Lead also recovered from an early decline to end marginally higher on balance. Support was found on a dip to $403 a tonne for three months delivery on Tuesday and with trade buying appearing at $410 yesterday the price closed at $416.50 a tonne, the highest level since early August.

Dealers explained the the lead market had been helped to shrug off a further LME stocks rise to a record 293,450 tonnes by continuing bullish sentiment following Thursday's news of a shutdown at Mexico's Montsrrey smelter, tightness in supplies of concentrates (an intermediate material) and an upturn in consumer demand.

The tin market fared less well, although the appearance of demand in the Far East yesterday caused that the three months price finished more that $100 above Tuesday's low of $4,660 a tonne.

Last week's near-$200 rise had been wiped out by Monday's close and the sellers remained in the ascendancy until after Tuesday's announcement that members of the Association of Tin Producing Countries had agreed at their meeting in Kuala Lumpur to cut exports by 13 per cent in 1994 to 78,000 tonnes.

Earlier news that China, the world's biggest tin producer, had decided to join the association made little impact on the then bearishly inclined market.

At the London bullion market gold prices fluctuated quite violently without ever threatening to break out of the present narrow trading range. After alternating rises and falls of up to $4.50 a troy ounce had been met by trade selling at the top and bargain hunting at the bottom the price ended the week just 80 cents up at $368.50 an ounce.

Silver followed a similar pattern, though in this case the sellers got the better of the exchanges and the cash price ended 6 cents down at $4.28½ an ounce.

Coffee futures were in retreat early on at the London Commodity Exchange, but ended near the top of the week's range.

Technical selling in New York pushed the January position down to $1,171 a tonne at one stage before the market responded positively to news that Brazil had approved funding arrangements for the stockpile purchases it would be required to make under the producers' export retention scheme. Doubts about Brazil's effective participation in the scheme had been undermining market sentiment in recent week's.

The January price climbed to $1,222 a tonne at one stage yesterday but edged back to close at $1,210, up only $5 on balance but still comfortably above the psychologically significant $1,200 level.

Cocoa futures peaked early, the March contract touching £985 a tonne on Tuesday. With this and subsequent movements towards $1,000 meeting strong resistance, however, dealers concluded that the market was becoming "rangebound" and that some fundamental encouragement would be needed to provide fresh impetus for the stalled bull run, which many thought still had a long way to go.

Richard Mooney

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

Aluminium	+28,075	to 2,289,250
Copper	+700	to 513,600
Lead	+4,450	to 293,450
Nickel	+575	to 119,196
Zinc	+650	to 828,350
Tin	-15	to 20,816

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Oct 29	Day's change %	Thu Oct 28	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debs & Loans (66)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

INTERNATIONAL COMPANIES AND FINANCE

Nissan passes payout as sales slide

By Michiyo Nakamoto in Tokyo

NISSAN Motor, the Japanese carmaker, yesterday unveiled a drop in first-half sales and deeper pre-tax and operating losses. The result confirmed fears of a deteriorating business climate for Japan's automotive industry.

The second-largest Japanese carmaker passed its interim dividend and warned it would not make a profit in the year to March. The group is undergoing a restructuring programme and hopes to cut 5,000 jobs over the next three years.

Although Nissan is uncertain of when it will be able to return to the black, it is sticking to an earlier forecast of a break-even in the current year, and a return to profits in fiscal 1994.

However, Mr Heiichi Hamaoka, an executive managing director, conceded "it is becoming extremely difficult to attain that goal".

"Whether or not we can return to profitability next fiscal year depends largely on the speed of recovery in domestic demand," he said.

The Japanese carmaker saw a 10 per cent decrease in total vehicle sales over the period. Much of this was due to the shift of production overseas. Domestic vehicle production fell 13 per cent, while overseas production rose 22 per cent.

However, the rise of the yen was also a significant reason for the decline in vehicle sales. Nissan said during the first half, the impact of the yen's rise amounted to Y100bn ($926m).

Although about Y50bn was absorbed through forward exchange dealing and price rises, the net impact of the currency's surge was Y50bn.

Nissan has tried to combat the adverse affects of the yen and weak sales through cost-cutting, which resulted in savings of about Y60bn.

It has, however, also been able to make non-operating income of Y13.2bn from sales of marketable securities.

Nissan's European operations are also under heavy pressure. The European market's weakness meant production at the UK plant would have to be reduced by about 9 per cent from 270,000 units to 246,000 units. The company was studying ways to reduce production without laying off people, Mr Hamaoka said.

"It is a very abnormal situation," he said.

Nissan is expecting to suffer an operating loss in the second half. This could force it to consider selling securities and fixed assets to break even at the pre-tax level.

NISSAN HALF-YEAR RESULTS		
Sales	Y1,781bn	(-6.7%)
Pre-tax loss	Y28.9bn	(Y14.2bn loss)
Net loss:	Y32.5bn	(Y21.9bn loss)
Forecast for the full year to March		
Sales:	Y3,650bn	
Pre-tax profits	nil	
Net profits	nil	

Wall Street turns to long bond engineering

By Richard Waters in New York

FACED with a shortage of long-term bonds issued by the US government, Wall Street has decided to create its own.

Or rather, recreate them. In the 1980s, investment banks made money by tearing Treasury bonds apart and selling the components for more than the value of the whole.

Now, led by Salomon Brothers, the banks are ready to start putting the bits back together to make whole T-bonds again.

The process has been spurred by the US Treasury's decision to issue fewer 30-year bonds. This has contributed to the bull market in so-called "long bonds", where yields have fallen to historic lows.

The dismantling, known as "stripping", involved separating the coupons (or interest payments) on the bonds from the underlying principal. Each part was then sold separately as a zero-coupon bond.

On Thursday, Salomon – Wall Street's pre-eminent bond trading house and the bank which first started stripping T-bonds back in 1982 – became the first to reverse the process publicly. It launched an offer to buy back $10bn of zero-coupon bonds, which it and other investment banks had created in 1984. The parts will be reassembled to create Treasury bonds which mature in 2014, Salomon said.

The economics underlying this feat of financial engineering remained a closely-guarded Salomon secret.

In return for their zero-conpon bonds, the bank is offering investors identical instruments issued by the US Treasury – which started its own "strips" programme in 1985 – or cash. These Treasury-created instruments are worth more than those of the investment banks because they are traded in a more liquid market, Salomon said.

Even after paying this premium, Salomon believes current market prices are sufficiently out of line to yield a profit by turning series of zero-coupon securities back into whole bonds.

Technical factors explain part of this: given their 20-year maturity and high coupon rates (the stripped bonds were issned when interest rates were at 12-13 per cent), the reconstitnted bonds will prove cheap for investors looking to deliver bonds in settlement of futures trades, Salomon said.

See Lex, Page 22

Volvo chairman moves to assuage Renault link fears

By Hugh Carnegy in Stockholm

VOLVO, the Swedish vehicle manufacturer, yesterday stepped up efforts to persuade sceptical shareholders to support the proposed merger of its car and truck operations with France's Renault. The move came as uncertainty grew over the outcome of a stockholders meeting to decide the issue.

Mr Pehr Gyllenhammar, Volvo chairman, acknowledged the goal for the merged company, of achieving average operating returns of 7 per cent, was high in a tough industry.

However, he said: "That shows how beneficial we believe the merger will be."

Addressing concern that the 65 per cent balance to be held by state-owned Renault amounted to a French government takeover of Volvo, Mr Gyllenhammar said the merger could not be delayed until after Renault was privatised.

He said this could delay the privatisation because potential investors needed to know the extent of Volvo's commitment to the merger.

Mr Gyllenhammar and Mr Louis Schweitzer, the Renault chief executive, told a Swedish newspaper that a letter or public statement from the French government to Volvo shareholders spelling out its commitment to Renault's privatisation would be helpful.

Pehr Gyllenhammar: admits goal for new company is high

The fate of the merger depends on a group of Swedish institutional shareholders who have yet to decide how they will vote at the shareholders meeting on November 9.

Yesterday the insurance group Skandia, which holds 3.7 per cent of the voting capital, delayed its expected decision, saying it needed more time to analyse the merger deal.

Other fund managers said they were still pressing Volvo for more information before making up their minds. A key participant, a government pension fund which is the second-largest shareholder after Renault with 7.5 per cent of the votes, has retreated from its earlier positive position. It now says it will make its final decision next Wednesday.

Another state pension fund, with a 2.5 per cent stake, has already said it will vote against the merger.

Nikon blames drop in demand for Y799m loss

NIKON, the Japanese photographic group, has blamed poor demand for cameras and optical glass for a loss in the first six months to September. A fall in exports due to the sharp appreciation of the yen also hit results, writes Emiko Terazono.

Nikon, which paid Y4.5 per share in interim dividends last year, said it would forego dividend payments.

It reported a non-consolidated pre-tax loss of Y1.6bn ($14.8m), against a Y1bn pre-tax profit a year earlier. Sales declined 12.1 per cent to Y91.6bn, and the after-tax loss was Y799m.

The company expects to return to the black for the year to March.

JAL forced to revise forecast

By Michiyo Nakamoto

JAL, Japan's largest airline, yesterday reported a substantial deterioration in its first-half performance and passed its interim dividend. It also revised its forecast for the full year, citing a difficult business outlook.

The airline blamed the recession, a strong rise in the yen, and an unusually cold summer, which kept Japanese people at home.

Its international passenger traffic declined, compared with the same period last year, while demand dropped for cargo exports to Europe and the US.

The drop in revenue was also a result of intanse price competition, which the company has been trying to combat with a belated attempt to introduce frequent-flyer incentives.

Flight operations were also adjusted to meet changed demand. New package tours and new travellar services were introduced.

Despite JAL efforts to build up its domestic passenger base, the number of domestic passengers carried rose just 0.1 per cent compared with the same period last year.

Overall, the airline was unable to introduce sufficient measures to offset the fall in demand and price competition from other airlines.

"This year we regarded as crucial for our survival," JAL said. It added that the operating environment would get tougher and competition would increase. There were no signs of recovery in demand for air travel.

The airline is implementing a survival plan to cut costs.

JAL HALF-YEAR RESULTS		
Sales	Y500.4bn	(-9 per cent)
Pre-tax loss	Y7.9bn	(Y4.4bn loss)
Net loss	Y3.4bn	(Y3.6bn loss)
Revised forecast for year ending March:		
Sales	Y970bn	(previous Y1,064bn)
Pre-tax loss	Y30bn	
Net loss	Y26bn	

Singapore Telecom sells well

By Kiaran Cooke in Kuala Lumpur

THE OFFER for a 10 per cent stake in Singapore Telecom (ST), the posts and telecommunications utility, has been four times oversubscribed, surprising the most bullish of brokers.

Based on the value of shares offered, the market capitalisation of ST, which is being partially privatised, was S$55bn (US$35bn).

"It's fairly amazing when you make comparisons," one analyst said. "ST is being valued at about 80 per cent of the market capitalisation of British Telecom."

Fifty per cent of the offer, in categories A and B shares, priced at S$1.90 and S$2 respectively, was available to Singaporeans only. The rest, the C share category, was open to Singaporeans and foreigners on a tender basis at a minimum price of S$2.

The offer closed on Thursday after aggressive tendering for C shares pushed up the strike price to S$3.60, giving a prospective price/earnings ratio of 48.

While no-one doubts the credentials of ST – which has a monopoly on Singapore's highly-efficient telecoms sector until 2007 – there are some who feel many share-buyers have rushed in without thinking.

An abundance of liquidity in Singapore, an influx of foreign funds, and an intense government campaign to encourage wider share ownership have resulted in hectic share buying.

It is believed slightly more than a third of the C category shares were taken up by foreigners.

The Singapore government had structured the ST offer to discourage stagging. It offered heavy discounts to Singaporeans who would keep their shares for a six years.

However, analysts say A and B shareholders might be tempted to take a quick profit. The Singapore stock exchange announced that, from Monday market hours will double to 12 to cope with the expected surge in trading volumes.

Poland bank sale fails to attract foreigners

By Christopher Bobinski in Warsaw

POLAND'S finance ministry is to cancel a tender for 45 per cent of the equity in the state-owned Bank Slaski after failing to receive an offer from "a satisfying investor".

The tender, organised by Banque Paribas, aimed to produce a strategic investor for Bank Slaski, the second big bank to be offered for sale under Poland's bank privatisation programme.

The sale of the bank's stock, however, is to continue. Small investors are being offered 30 per cent of the equity, starting on November 3, with the government setting the price at 500,000 zlotys per share.

Foreign banks and domestic investors had been invited to bid for the 4.17m of the bank's 9.26m shares, with a minimum price per share set by the government at 230,000 zlotys.

Earlier this year, the government sold off the Wielkopolski Bank Kredytowy (WBK) with the European Bank for Reconstruction and Development as its major foreign investor. The Krakow-based Bank Przemyslowo Handlowy is next in line.

The failure to find a large foreign partner for Bank Slaski will delay privatisation. Even if employees and management take up their 10 per cent allocation, and all shares offered for sale to the public are bought, a mere 40 per cent of the equity will be in private hands.

HK developer surges 46% to HK$3.4bn

By Simon Davies in Hong Kong

NEW World Development, the Hong Kong property developer, posted a HK$3.4bn (US$449.3m) profit this year – a 46.5 per cent jump, from HK$2.36bn, on the previous period.

It attributed the growth to a sharp increase in property development sales, bolstered by a rise in luxury residential prices in the first half in 1993. There was also an improvement in the hotel division.

Turnover rose 7 per cent to HK$13.32bn.

The company recommended a final dividend of 62 cents a share, amounting to a full-year payout of 87 cents, up from 68 cents previously.

New World has put considerable emphasis on its activities in China, where it has accumulated some 50m square metres of land for development, in addition to a number of infrastructure projects.

Although profits continue to be dominated by Hong Kong residéotial property sales, the company's Chinese investment programme will make a maiden contribution in the current fiscal year.

The group will complete its first Chinese power station project and two toll roads in the country. It is also launching the sale of several large property developments.

New World aims to have up to 25 per cent of its net assets invested in China.

Galeries Lafayette in retailer deal

By Alice Rawsthorn in Paris

GALERIES Lafayette, one of France's leading stores groups, is taking full control of Monoprix, the retail chain. It is buying a 37.77 per cent stake from the Malard family in a FFr500m ($85.3m) deal.

The Monoprix deal, which increases the Galeries Lafayette holding from 54.96 to 93.79 per cent, comes only two years after its last significant acquisition, the FFr2.87bn deal for the Nouvelles Galeries retail concern.

Galeries Lafayette, still burdened by heavy debts due to the Nouvelles Galeries deal and the cost of opening its troubled New York store, has negotiated to pay for the Monoprix stake in a series of instalments until the end of 1996.

Monoprix is one of the largest and best-known retail chains in France selling general merchandise, such as clothing and household goods, as well as food. Galeries Lafayette has already installed Monoprix supermarkets in some of its own sites.

The Monoprix deal comes at a turbulent time for French retailing. Many retail groups have been badly affected by the recession.

Galeries Lafayette reported a net loss of FFr140m for the first half of this year, having only just broken even in 1992.

The retail sector has also been destabilised by a series of mergers and acquisitions. Pinault-Printemps is still selling assets in an attempt to reduce the debts incurred by its takeover of Au Printemps. FNAC, the music and books chain, was sold this autumn because of the financial problems of GMF, its old parent company.

Tesco, the UK food retailing group, earlier this year bought Catteau supermarkets.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$368.8	+0.80	$339.65	$405.75	$326.05
Silver Per troy oz	295.00	-4.45	241.00p	362.50p	236.00p
Aluminium 99.7% (cash)	$1047.0	-47.5	$1147.75	$1240.00	$1047.00
Copper Grade A (cash)	$1813.0	-2.5	£1452.0	$2375.00	$1108.50
Lead(cash)	$403.0	+1.5	£322.50	$460.00	$361.50
Nickel (cash)	$4634.5	+51	$6070.0	$6340	$4043.5
Zinc SHG (cash)	$942	+9	$1092.5	$1112	$868.0
Tin (cash)	$4730	-230.0	$5830.0	$6047.5	$4340.0
Cocoa Futures (Mar)	£970	+5	£705	£976	£663
Coffee Futures (Jan)	$1211	+6	$941	$1297	$836
Sugar (LDP Raw)	$266.5	+4.7	$228.4	$317.4	$204.5
Barley Futures (Jan)	£102.75	-0.25	£129.00	£110.30	£101.50
Wheat Futures (Jan)	£100.10	-0.65	£131.00	£149.45	£100.10
Cotton Outlook A Index	54.35c	-0.05	51.60c	62.35c	54.60c
Wool (64s Super)	346p	+12.0	406p	403p	319p
Oil (Brent Blend)	$15.93x	-0.97	$19.36	$19.53	$15.685

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Dec.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$14.08-4.18	-0.310
Brent Blend (dated)	$15.52-5.54	-0.330
Brent Blend (Dec)	$15.92-5.94	-0.360
W.T.I (1 pm est)	$17.02-7.04u	-0.450
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$178-181	-3
Gas Oil	$165-166	-3
Heavy Fuel Oil	$62-64	+1
Naphtha	$150-153	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.80	-0.95
Silver (per troy oz)♣	438.5c	
Platinum (per troy oz)	$374.50	+0.75
Palladium (per troy oz)	$130.00	+0.50
Copper (US Producer)	84.5c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.10m	+0.01
Tin (New York)	217.0c	-4.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	120.89p	-0.38'
Sheep (live weight)†♣	$1.37p	+0.17'
Pigs (live weight)†	85.24p	+1.09'
London daily sugar (raw)	$266.5	-2.2
London daily sugar (white)	$296.0	-1.0
Tate and Lyle export price	£291.0	-2.0
Barley (English feed)	£105.0z	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£166.5	
Rubber (Nov)♥	61.25p	
Rubber (Dec)♥	61.50p	
Rubber (KL RSS No 1 Jul)	206.0m	
Coconut oil (Philippines)§	$422.5v	-2.5
Palm Oil (Malaysian)§	$335.0u	+2.5
Copra (Philippines)§	$285.0	
Soyabeans (US)	£183.0w	-1.5
Cotton "A" Index	54.35c	-0.10
Wooltops (64s Super)	346p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Jan/Feb u-Dec t-Sep/Oct w-Nov/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices ' change from a week ago, provisional prices.

CRUDE OIL - IPE			$/barrel
	Latest	Previous	High/Low
Dec	15.93	16.22	16.17 15.82
Jan	16.15	16.44	16.38 16.04
Feb	16.27	16.58	16.53 16.20
Mar	16.35	16.70	16.64 16.35
Apr	16.50	16.82	16.73 16.50
May	16.60	16.90	16.73 16.60
Jul	16.90	17.06	16.90
Aug	16.95	17.15	16.95
IPE Index	16.40	16.42	16.40

Turnover 37399 (47785)

GAS OIL - IPE			$/tonne
	Close	Previous	High/Low
Nov	161.25	164.25	164.50 161.25
Dec	161.25	164.25	164.50 161.25
Jan	160.50	163.75	163.75 160.25
Feb	160.00	163.00	163.00 159.75
Mar	159.50	162.25	162.25 159.00
Apr	158.25	161.25	161.00 158.25
May	157.50		158.50 157.50
Jun	156.75	159.00	158.00 156.75

Turnover 16923 (14036) lots of 100 tonnes

SUGAR - LCE			($ per tonne)
White	Close	Previous	High/Low
Dec	284.30	281.70	284.50 282.60
Mar	281.50	279.30	281.50 279.50
Aug	287.40	285.00	286.50
Oct	276.00	273.80	276.40 276.20

Turnover 1273 (907) Paris- White (FFr per tonne): Dec 1577.03 Mar 1575.89

SPICES

Pimento supplies are becoming scarce in Europe because of central European buying, reports Man Producten. Mexican offerings were limitedthis week, with spot fetching US$1,850 a tonne, afloat $1,925 and shipment $1,900. Jamaican spot pimento cost $2,350a tonne, afloat $2,125 and shipment $2,100, while Honduran shipment was available at $1,925 a tonne. KB cassia br/sl, spot, was quoted at $1,750a tonne, afloat at $1,650 and shipment at $1,550; va/ks sticks, spot, cost $2,400, afloat $2,300 and shipment $2,225. Madagascan cinnamon was quoted at FFr5.80 a lb. cif. Indonesian nutmeg prices were locally firmer.

No.7 RAW SUGAR - LCE			(cents/lbs)
	Close	Previous	High/Low
Mar	10.82	10.87	10.80 10.75
May	11.02	11.00	11.00 10.91
Jul	11.33		11.30

Turnover 91 (66) lots of 50 tonnes.

COCOA - LCE			£/tonne
	Close	Previous	High/Low
Dec	941	944	945 937
Mar	970	976	975 967
May	978	982	983 975
Jul	978	981	979 974
Sep	978	976	980 974
Dec	955	957	956 952
Mar	956	954	955 950
May	956	958	957 954
Jul	956		958 958
Sep	959		987 962

Turnover: 2308 (3558)lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 28 932.55 (917.68) 10 day average for Oct 29 922.20 (918.66).

COFFEE - LCE			$/tonne
	Close	Previous	High/Low
Nov	1194	1183	1200 1188
Jan	1211	1211	1222 1210
Mar	1202	1198	1210 1200
May	1196	1192	1206 1192
Jul	1193		1199 1199
Sep	1193		1202 1195
Nov	1195		1200 1195

Turnover: 5389 (5339) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 28 Comp. daily 69.48 (68.19) 15 day average 68.12 (67.87)

POTATOES - LCE			£/tonne
	Close	Previous	High/Low
Mar	102.5		100.0 100.0
Apr	84.3	84.6	85.0 83.0
May	103.6		101.0 100.0

Turnover 255 (160) lots of 20 tonnes.

FREIGHT - LCE			$10/index point
	Close	Previous	High/Low
Nov	1342	1343	1355 1340
Dec	1348	1345	1348 1345
Jan	1350	1349	1350 1349
Apr	1365	1363	1365 1366
BFI	1317	1322	1317

Turnover 104 (116)

GRAINS - LCE			£/tonne
Wheat	Close	Previous	High/Low
Nov	98.00	97.90	97.90 97.40
Jan	100.10	100.25	99.90 99.85
Mar	102.05	102.20	101.60 101.60
May	104.15	104.00	103.75 103.55
Jun	105.15		105.00 104.50
Barley	Close	Previous	High/Low
Jan	102.75	103.50	103.25 103.00
Mar	105.25	105.45	105.00

Turnover: Wheat 169 (182) Barley 20 (14)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,631 lots
Cash	1048.5-7.5	1054.5-5.5	...	1048.5-9.0		
3 months	1067-8	1075.5-6.0	1074/1066	1069.5-70	1066-7	243,967 lots
Copper, Grade A ($ per tonne)						Total daily turnover 39,341 lots
Cash	1612.5-3.5	1608.5-9.5		1614.5-5.0		
3 months	1634-4.5	1629.5-30.0		1635.5-6.0	1634.5-5.0	193,829 lots
Lead ($ per tonne)						Total daily turnover 3,235 lots
Cash	402.5-3.5	401-2		400.5-1.0		
3 months	416-7	414.5-5.5	418/413	414-4.5	413-4	24,507 lots
Nickel ($ per tonne)						Total daily turnover 11,666lots
Cash	4632-7	4530-6		4600-5		
3 months	4685-90	4585-90	4710/4580	4655-60	4665-7	43,722 lots
Tin ($ per tonne)						Total daily turnover 1,919 lots
Cash	4725-35	4665-75	4700	4695-700		
3 months	4775-80	4710-20	4780/4720	4740-50	4760-5	13,692 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 17,204 lots
Cash	941.5-2.5	926.5-7.5	935.5	935-5.5		
3 months	958.5-9.0	943-4	960/945	951-1.5	958-8.5	84,413 lots

LME Closing £/$ rate: SPOT: 1.4865 3 months: 1.4788 6 months: 1.4727 9 months: 1.4672

LME AM Official £/$ spot rate 1.4877

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	368.80-369.00	
Opening	369.30-369.70	
Morning fix	369.10	248.385
Afternoon fix	368.60	248.254
Day's high	370.10-370.50	
Day's low	368.40-368.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.88	6 months	2.88
2 months	2.88	12 months	2.88
3 months	2.88		

Silver fix	p/troy oz	US cts equiv
Spot	295.75	440.25
3 months	299.70	443.65
6 months	303.55	447.35
12 months	311.10	455.20

GOLD COINS	$ price	£ equivalent
Krugerrand	371.00-374.00	249.00-252.00
Maple leaf	380.05-382.45	-
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1025	33	59	7	13
1050	17	43	16	22
1075	6	30	32	33
Copper (Grade A)	Calls		Puts	
1600	43	80	18	33
1650	29	65	29	43
1700	16	53	43	56
Coffee LCE	Jan	Mar	Jan	Mar
1150	87	116	36	66
1200	59	93	58	91
1950	48	73	87	121
Cocoa LCE	Dec	Mar	Dec	Mar
925	28	85	22	40
950	25	71	34	51
975	18	86	50	64
Brent Crude	Dec	Jan	Dec	Jan
1650	10	30	69	72
1700	3	21		
1750	1	11		150

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	368.7	369.1	0	0
Dec	368.6	370.2	371.8	368.8
Jan	370.5	371.1	0	0
Feb	371.4	372.0	373.3	370.5
Apr	373.1	373.8	375.0	372.8
Jun	374.9	375.6	377.2	376.0
Aug	376.7	377.4	0	0
Oct	378.5	379.2	0	0
Dec	380.4	381.1	382.3	380.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Nov	363.0	363.0	0	0
Jan	373.1	373.6	376.9	370.0
Apr	374.8	375.3	378.0	375.0
Jul	375.8	376.3	378.0	378.0
Oct	377.3	377.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	435.5	437.4	0	0
Dec	436.7	438.7	443.0	436.0
Jan	437.8	439.9	440.0	440.0
Mar	441.1	443.1	447.5	440.5
May	444.2	446.2	451.0	448.5
Jul	447.2	449.2	0	0
Sep	450.1	452.1	0	0
Dec	454.7	456.7	459.5	455.0
Jan	455.8	457.8	0	0
Mar	459.8	461.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	73.00	72.75	73.20	72.95
Dec	73.15	73.00	73.50	73.00
Jan	73.40	73.25	0	0
Feb	73.65	73.50	73.80	73.80
Mar	73.85	73.75	74.20	73.60
Apr	74.10	74.00	0	0
May	74.35	74.25	74.60	74.50
Jun	74.55	74.60	0	0
Jul	74.80	74.75	75.25	75.20
Aug	75.05	75.00	75.50	75.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	17.01	17.37	17.33	16.85
Jan	17.22	17.56	17.54	17.08
Feb	17.40	17.72	17.70	17.29
Mar	17.57	17.86	17.75	17.45
Apr	17.65	17.85	17.90	17.59
May	17.82	18.07	18.03	17.70
Jun	17.96	18.17	18.14	17.87
Jul	18.06	18.26	18.23	18.00
Aug	18.08	18.34	18.30	18.09
Sep	18.17	18.43	18.42	18.16

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	50.95	52.10	52.05	50.65
Dec	51.65	52.64	52.85	51.30
Jan	52.30	53.24	53.20	52.05
Feb	52.50	53.44	53.25	52.25
Mar	52.15	52.94	52.60	51.80
Apr	51.50	52.14	51.95	51.30
May	50.60	51.34	51.25	50.60
Jun	50.70	50.94	51.05	50.50
Jul	50.85	51.14	51.15	50.60
Aug	51.50	51.69	51.70	51.40

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1120	1140	1149	1111
Mar	1159	1178	1186	1155
May	1175	1195	1198	1170
Jul	1191	1212	1215	1187
Sep	1205	1226	1228	1219
Dec	1221	1242	1238	1221
Mar	1240	1249	1260	1240
May	1260	1268	0	0
Jul	1274	1282	0	0
Sep	1293	1301	1283	1280

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	79.30	78.00	79.45	77.85
Mar	81.95	80.55	82.00	80.55
May	83.00	81.75	83.50	82.20
Jul	84.50	82.90	84.30	83.50
Sep	86.00	84.45	85.25	85.00
Dec	88.30	86.70	0	0
Mar	90.50	89.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	10.62	10.54	10.68	10.51
May	10.75	10.67	10.80	10.65
Jul	10.81	10.71	10.85	10.73
Oct	10.80	10.69	10.85	10.73

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	57.27	57.22	57.47	57.05
Mar	59.12	59.07	59.25	58.85
May	60.25	60.15	60.30	59.95
Jul	60.98	60.90	61.05	60.75
Oct	61.85	61.99	61.95	61.80
Dec	62.00	62.20	62.05	61.80
Mar	62.65	62.55	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	106.70	107.50	108.40	106.10
Jan	108.15	110.00	111.25	109.05
Mar	111.50	112.50	113.75	111.50
May	113.15	114.00	114.75	113.15
Jul	114.65	115.50	0	0
Sep	116.40	116.25	0	0
Nov	112.65	113.50	0	0
Jan	112.65	113.50	0	0
Mar	112.65	113.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Oct 29	Oct 28	mnth ago	yr ago
1604.0	1605.4	1581.3	1649.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 28	Oct 27	mnth ago	yr ago
Spot	119.67	118.79	118.98	113.56
Futures	130.40	130.19	126.15	115.61

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	619/6	617/4	624/0	616/4
Jan	629/4	627/0	633/0	625/4
Mar	636/0	632/6	639/4	632/4
May	640/6	637/4	643/4	636/4
Jul	643/6	640/6	647/2	640/0
Aug	642/0	641/0	645/6	640/0
Sep	633/0	632/0	635/0	632/0
Nov	624/6	625/0	629/0	624/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	23.44	23.16	23.48	23.12
Jan	23.53	23.27	23.58	23.23
Mar	23.66	23.41	23.70	23.38
May	23.67	23.45	23.73	23.50
Jul	23.70	23.46	23.75	23.50
Aug	23.52	23.28	23.58	23.37
Sep	23.35	23.10	23.38	23.20
Oct	23.02	22.80	23.13	22.80

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	192.7	191.9	193.8	191.3
Jan	192.5	191.7	193.7	191.4
Mar	193.2	192.8	194.6	192.4
May	193.8	193.1	194.7	193.2
Jul	195.0	194.6	196.0	194.5
Aug	195.3	194.8	195.8	194.5
Sep	195.2	194.8	195.6	194.8
Oct	194.8	195.3	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	257/6	253/2	258/2	252/4
Mar	265/6	261/4	266/4	261/0
May	269/6	265/6	271/0	265/0
Jul	270/4	267/0	271/6	266/6
Sep	260/4	258/4	261/2	258/4
Dec	252/4	250/4	253/0	250/6
Mar	259/0	257/4	259/0	257/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	335/4	326/4	336/0	324/4
Mar	331/6	323/4	332/4	322/4
May	318/6	312/4	319/0	312/4
Jul	310/4	307/4	311/0	306/4
Sep	313/0	311/0	313/0	312/4
Dec	323/4	319/4	323/4	320/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.050	73.600	74.250	73.575
Feb	75.125	74.650	75.100	74.475
Apr	76.325	76.175	76.400	76.000
Jun	73.175	73.075	73.275	72.825
Aug	71.625	71.550	71.825	71.550
Oct	72.100	72.000	72.275	72.050
Dec	73.100	72.950	73.100	72.900

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	49.050	48.150	49.100	48.550
Feb	50.025	49.025	50.075	49.350
Apr	48.200	47.375	48.250	47.500
Jun	52.325	51.825	52.400	51.900
Jul	51.450	50.750	51.650	51.150
Aug	50.050	49.350	50.050	49.500
Oct	46.000	45.350	40.000	45.800
Dec	46.100	0	46.100	45.750

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	60.675	58.700	60.700	59.000
Mar	60.275	58.650	60.450	58.700
May	60.200	58.400	60.400	59.200
Jul	61.800	59.875	61.900	59.900
Aug.	59.500	58.100	59.800	58.650

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Technical trading dominates

A STRONGER D-Mark exerted early pressure on several European currencies as international investors adjusted their books on the last trading day of the month, but most affected currencies recovered by the close, *writes Peter John.*

Some encouraging economic data came out of France and the US yesterday, while Belgium suffered political pressures. However, the foreign exchange market tended to concentrate on technical factors.

The French franc was one of the more volatile currencies. It picked up in early trade as Mr Edmond Alhpandéry, the minister for the economy, said that data from the French statistics office INSEE, showed the country was pulling out of recession.

Then, the franc slipped back in the afternoon after it was announced that unemployment in France had risen to 11.8 per cent from 11.7 per cent previously, in line with the consensus forecasts.

The franc traded in a half centime range, between FFr3.5000 and FFr3.5050 against the D-Mark, for most of the day and closed unchanged at FFr3.4990.

The Belgian franc was down at BFr21.72 to the D-Mark earlier in the day as the country's transport system was crippled by a strike but the currency picked up in late trading and closed at BFr21.84 to the D-Mark, up from BFr21.80 previously.

Mr Avinash Persaud, economist with JP Morgan, takes a gloomy view of the Belgian and French economies. He argues that the Belgian franc will fall to BFr23 to the D-Mark within the next three months while the French currency will hit FFr3.60 and French unemployment will top 12 per cent by the end of December.

The Spanish peseta, Italian lira and Danish krone were also weaker against the D-Mark in early trade.

The dollar was lifted slightly by promising regional data ahead of figures from the National Association of Purchasing Managers next week. It was taken back from the highs by profit-taking but closed more than half a pfennig up at DM1.6795 from DM1.6735 and better against the Japanese yen and sterling.

The pound recovered from early weakness against the D-Mark as some investors took comments from Mr Eddie George the governor of the Bank of England as an attempt to dampen recent speculation of a further cut in base rates. Sterling closed unchanged at DM2.4975.

● The Bulgarian lev opened steady against the dollar and slightly lower against the D-Mark after the Bulgarian National Bank raised its key interest rate to 47 per cent late on Thursday.

£ IN NEW YORK

Oct 29	Latest	Previous Close
£ Spot	1.4825-1.4835	1.4880-1.4885
1 month	0.34-0.33pm	0.34-0.32pm
3 months	0.82-0.80pm	1.47-1.44pm
12 months	2.57-2.49pm	2.51-2.46pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.14789	-2.23	5.98	-
D-Mark	1.94964	1.91230	-1.92	5.63	-
Spanish Peseta	154.250	153.218	-0.67	4.30	5
Irish Punt	0.808628	0.811161	0.31	3.26	-2
Portuguese Escudo	192.854	197.084	2.19	1.36	-15
French Franc	6.53883	6.69671	2.41	1.18	-20
Belgian Franc	40.2123	41.5542	3.34	0.26	-24
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4865	1.4832	1.4769	1.4716	1.4614
D-mark	2.4975	2.4993	2.5033	2.5076	2.5085
French Fr.	8.7400	8.7409	8.7426	8.7442	8.7449
Swiss Fr.	2.2075	2.2056	2.2021	2.1957	2.1806
Yen	161.25	160.66	159.88	158.72	156.35

MONEY MARKETS

Futures close easier

FINANCIAL futures contracts eased slightly on the last trading day of the month following technical presures and comment in the UK suggesting that interest rstes may not fall as fast as expected, *writes Peter John.*

Short sterling was volatile, dropping in the afternoon after Mr Eddie George, the governor of the Bank of England, said he was not confident that a cut in UK base rates would fit the government's goals for inflation.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Some dealers suggested the comments acted as a useful excuse for traders keen to balance trading books at the end of the month. The futures contract for December, which had reached a high of 94.64 in earlier trading dropped to close four basis points lower on the day at 94.55.

The German Euromark contract for the same month eased slightly to 93.85 and the French contract fell four basis points to 93.60, both slipping on end-of-the-month adjustments.

Monetary conditions in the UK money market continued tight as banks were unwilling to take up the Bank of England's early offer of help. The Bank of England forecast a liquidity shortage of around £1.85bn, later revised down to £1.75bn but by midday only £28m of help was provided.

The tight conditions pushed overnight rates to 9.5 per cent and one-month money to 6$\frac{1}{16}$ per cent. Among the main factors affecting the position were the take-up of Treasury Bills and paper maturing in official hands which drained £1.852m from the system.

A rise in note circulation – traditionally heavy on a Friday as banks prepare for big withdrawals from cash machines over the weekend – withdrew £810m. Partly offsetting, these Exchequer transactions added £1.555bn.

The £28m of assistance at midday consisted of £6m of band one bank bills at 5⅞ per cent and £22m of bills for resale to the market in equal amounts on November 16, 17 and 18 at an interest rate of 5$\frac{15}{16}$ per cent.

The Bank provided a further £1.525bn assistance in the afternoon. It bought £840m of band one bank bills and £6m of band two bank bills, both at 5⅞ per cent.

The Bank also bought £679m of band two bank bills for resale to the market in equal amounts on 16, 17 and 18 November at 5$\frac{15}{16}$ per cent. Finally, the Bank gave £220m of late assistance.

FINANCIAL FUTURES AND OPTIONS

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK RETURN

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £135$\frac{1}{32}$ 137$\frac{1}{16}$
Guaranteed Export Finance Corp PLC 11¼% Cld Nts 1994 (Br £100008100000) - £101⅜
Guaranteed Export Finance Corp PLC 12⅞% Grd Ln Stk 2002(Reg) - £137¾ .8 (22Oc93)

Corporation and County Stocks

Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £73 (25Oc93)
Nippon Telegraph and Telephone Corp10% Nts 1995 (BrEC1000&10000) - EC103.73 103.83 (26Oc93)
Nippon Telegraph and Telephone Corp10¼% Nts 1999 (Br$C1000&10000) - $C114¼
Northumbrian Water Group PLC 9¼% Bds 2002 (Br £ Var) - £111 ⅜ (22Oc93)
Norway (Kingdom of) 8.375% Nts 2003 (Br SC Var) - SC106⅜ (22Oc93)
Pearson PLC 10½% Bds

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Marks & Spencer Finance PLC 7⅛% Gtd Nts 1998 (Br £ Var) - £103⅞
National Grid Co PLC 7⅞% Bds 1998 (Br £ Var) - £104¼ (26Oc93)
National & Provincial Bldg Society 8¼% Nts 1998 (Br £ Var) - £105$\frac{11}{16}$ (27Oc93)
National & Provincial Bldg Society 10¾% Subord Bds 2006/11 - £117 ¼ (26Oc93)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £122¾
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £123½ (26Oc93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Allied-Lyons PLC 7¾% Cnv ... - £99
Allnatt London Properties PLC 10½% 1st Mtg Deb Stk 94/99 - £102
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 74
Andrews Sykes Group PLC Cnv Prf 50p - 46 (22Oc93)
Anglian Water PLC 5⅛% Index-Linked LnStk 2008(6.1024%) - £144ф
Anglo American Inv Tst Ld 6% Cum Prf R2 - 6 (26Oc93)
Anglo-Eastern Plantations PLC Warrants to sub for Ord - 19

FT-SE ACTUARIES INDICES

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Investment Trusts

Shires High-Yielding Smlr Co's TstWts to Sub for Ord - 55
Sphere Investment Trust PLC Revised Warrants to sub for Ord - 7 (26Oc93)
TR City of London Trust PLC Pfd Ord Stk(20% Non-Cum)£1 - 220
TR City of London Trust PLC 6% Cum 1st Prf Stk - £89½
Updown Investment Co PLC Ord 25p - 550 (26Oc93)

USM Appendix

BLP Group PLC Ord 50p - 79 (22Oc93)
Banner Homes Group PLC Ord 10p - 90 (26Oc93)
Beckenham Group PLC 9% Red Cum Non-Vtg Prf £1 - 48 (26Oc93)
Cooper Clarke Group PLC Ord 50p - 62 (27Oc93)
Crossroads Oil Group PLC ADR (1:20) - $4.4
Dakota Group PLC Ord Ir£0.25 - I£0.14 (26Oc93)
FBD Holdings PLC Ord Ir£0.50 - I£1.82 (27Oc93)
Gibbs Mew PLC Ord 25p - 368
Great Southern Group PLC 6.75p Cum Cnv Red Prf 5p - 158 60
Hoskins Brewery PLC Ord 50p - 77
Midland & Scottish Resources PLC Ord 10p - 8
Reflex Group PLC Ord Ir£0.05 - I£0.64
Total Systems PLC Ord 5p - 50
United Energy PLC Wts to sub for Ord - 6 (27Oc93)
Wyevale Garden Centres PLC 8.5% (Net) Cnv Cum Red Prf £1 - 180 1

Rule 535(2)

Amalgamated Metal Corp PLC Ord £1 - £1.05 (25Oc93)
Ann Street Breweries Co Ld Ord £1 - £3.2 3.2

Southern Newspapers PLC Ord £1 - £2.33 3.335 3.35 3.37
Southern Vectis PLC Ord 10p - £0.2 (26Oc93)
Thwaites(Daniel)& Co PLC Ord 25p - £2.15 (26Oc93)
Tiaghur PLC Ord 5p - £0.21 0.23 0.2275 0.24‡ 0.2425‡
Tracker Network PLC Ord £1 - £6.3
UAPT-Infolink PLC Ord 25p - £0.7
Unicorn Inns PLC Ord 25p - £0 35 (25Oc93)
Veterinary Drug Co PLC Ord £1 - £3.05 (25Oc93)
Weetabix Ld 'A' Non.V Ord 25p - £12.85ф
Welsh Industrial Inv Trust PLC 8.75% Cum Prf 20p - £0.07 (25Oc93)
Yates Bros Wine Lodges PLC Ord 25p - £2ф

RULE 535 (4) (a)
Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Actinor AS NK138.31 (25.10)
Cape Range Oil A$0.80
Churchill Resources A$0.403 (26.10)
City Developments S$6.88
Keystone Intl. $25.73 (27.10)
Kulim Malaysia Ord. 74.0 (25.10)
Lee Hing Development A$3⅞ (26.10)
Leighton Hldgs A$1.124 (27.10)
McCarthy Group 62.0 (25.10)
National Electronic Hldgs. 3.0 (25.10)
North Flinders Mines A$ 12.202 (26.10)
Oil Search 32.0 (27.10)
Sapphire Mines A$0.137
Selangor Coconuts 100ф (26.10)
Storer Communications SK357.0 (25.10)

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LONDON STOCK EXCHANGE

Equity market rallies as account ends

By Steve Thompson

UK SHARE prices continued to edge forward yesterday, responding to a modest end-account rally, and still helped by the recent upsurge in overseas markets which has seen Wall Street reaching new all-time records and European markets staging a useful recovery.

Gilt-edged stocks, however, came under moderate downside pressure, with long-dated stocks settling around four ticks lower and index-linked stocks making minor progress in subdued trading.

The FT-SE 100 index, which has see-sawed all week, influenced in turn by bouts of profit-taking by UK and then European and US institutions, moved up 8.0 yesterday to close at 3,171.0. Over the week the 100 index has retreated 28 points, or 0.9 per cent, from its all-time closing high of 3,199, as UK funds began to lock in profits from the record strong performance of the market.

Then overseas institutions turned aggressive sellers, reacting to a rather gloomy message from the latest survey published by the Confederation of British Industry which highlighted a distinct slowing in the pace of recovery in the UK and calling for a reduction in interest rates in the November 30 Budget. And dealers noted early signs that some of the big Continental funds had begun to reduce their weightings in the UK market back into Germany, following the recent interest rate cut.

Wall Street's overnight performance was viewed as slightly disappointing to London dealers who had seen the Dow Jones Average power above the 3,700 level during London trading late on Thursday. Consequently, there was a degree of certainty at the outset of trading yesterday when the FT-SE 100 moved up cautiously during the morning session, reached a session high of 3,172.3, before slipping back in the afternoon and then picking up again at the close.

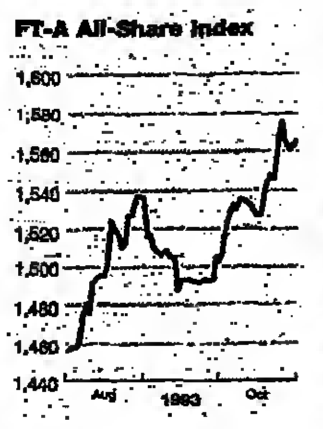
There was genuine surprise among institutional traders yesterday at the exceptionally high level of turnover in equities. Just over 800m shares changed hands, the highest single-day's business for many weeks. It was pointed out, however, that almost 18 per cent of that total, around 140m shares was accounted for by activity in just three stocks. Ferranti, which has attracted a 1p-a-share bid from GEC, Invergordon Distillers, where Kleinwort Benson hid for stock on behalf of Whyte & Mackay, and Asda, the food retailer. The value of customer business on Thursday was £1.54bn, the highest for two weeks.

Account Dealing Dates

*First Dealings:	Oct 18	Nov 1	Nov 15
Option Declarations:	Oct 28	Nov 11	Nov 25
Last Dealings:	Oct 29	Nov 12	Nov 26
Account Day:	Nov 8	Nov 22	Dec 6

*New time dealings may take place from two business days earlier.

FT-A All-Share Index



Record high for Warburg

THE recent upsurge in the merchant banking area of the market, triggered by expectations of substantial trading profits from booming international bonds and equity markets plus the probability of increased mergers and acquisition business, continued apace.

SG Warburg, the more marketable of the two merchant banks in the FT-SE 100 index raced up 11 more to a record 924p, leaving the stock on the brink of the exclusive £2bn market capitalisation club. Turnover in the shares, rarely above 1m a day, totalled 1.5m. The bank is scheduled to announce interim results on November 9, with analysts looking for something like a 150 per cent increase in profits and a near 15 per cent jump in the interim dividend. Market-makers are talking the shares up to £10-plus in the short term.

The upsurge on Hong Kong markets had a big impact of the UK banks with widespread and lucrative interests in the far east. HSBC was the big winner in the sector, closing 15 higher at 762p -within 13p of the all-time high – after heavy turnover of 7.3m shares. Standard Chartered, meanwhile, raced up 18 to a peak 1088p.

Drugs pressured

Bears in the drugs sector were to the fore with more uncertainity moving through the sector mostly on the back of caution over Wellcome. The stock continued the slide it began after its disappointing results on Thursday and lost a further 22 yesterday to 680p with 9.3m shares traded. A number of brokers distanced themselves from the stock, declaring it either overvalued or recommending a sell. Several thought that 650p could prove a settling price for the stock.

Most bears stopped short of saying that the sector could face a re-rating after Wellcome's aftermath soured sentiment for other stocks. But one said: "This will certainly add to the nervousness in the sector."

One stabilising force for pharmaceuticals was that fears over the Clinton healthcare plan appear to be receding. One analyst said: "The feeling in Washington is that only parts of it will be implemented."

Kleinwort Benson was offering to buy Invergordon shares at 298½p for a 48-hour cash settlement, which was the signal for a huge rush of investors seeking a quick return on their holdings. While one leading institution was said to have sold its entire 7.75m shares, the directors were also said to be actives, one selling 675,000 options at 4p for a net return of over £2m. Total turnover reached 56m. Kleinwort is acting for Whyte & Mackay which has made a 300p-a-share offer, reluctantly accepted by the Invergordon board on Thursday.

Food retailers stayed under pressure as the predicted price war broke out, with Asda bearing the expected combatants to the gun as it announced a price freeze on 5,000 items. The other supermarkets groups are expected to respond in kind, with one analyst commenting: "It's going to be a bloody Christmas." Asda shares slipped 1¼ to 54p in another day's big turnover of 25m. Tesco dropped 2½ to 203p in volume of 6.8m, J Sainsbury 6¼ to 395¾p in turnover of 4.8m and Kwik Save 9 to 642p.

Broker upgrades followed the trading statement and analysts meeting with Rank Organisation. The Rank share price, which has been under some pressure recently, reacted favourably and closed 8 ahead at 841p in busy turnover of 2.5m. Such was the recent caution surrounding the stock that many brokers were preparing to reduce their profit estimates ahead of yesterday's meeting, worried over the group's debts and Xerox contribution. However, some improvement had been seen in the group's overall trading and the market forecast for this year shifted from £240-260m to £250-265m.

The revelations of write-downs on the hotel valuations at Queens Moat Houses, which was suspended earlier this year with financial problems, had a surprisingly mild effect on the hotel sector. Forte actually shot forward in early trading as Rank announced a good price for the sale of one of its central London hotels. The shares later slipped back to close a half-penny off at 221¼p.

Several factors put a hit of vim into the oil sector, despite the weakness of the crude price. Shell enjoyed investor interest after its oil figures were well received and moved ahead 9 to 711p in turnover of 4.9m.

A successful auction of shares in its scrip dividend helped to push up the price of Enterprise Oil 4 to 454p. BP continued to attract keen support ahead of Thursday's third quarter figures, the shares closing 4 up at 349¼p.

Brisk two-way business was reported in Cable and Wireless as the shares underwent a split. Opening at 986p, they went to 498p and edged up in a perky telecoms sector to close 3 up at 501p. Turnover was 10m. The move was put down to the hectic activity in the Far East market, still buzzing with the huge flotation of Singapore Telecom. Vodafone gained 8 to 553p. Dealers said that the forthcoming flotation of Pac-Tel's cellular arm was exciting interest in the UK group's valuation.

There was another day's huge turnover in Ferranti, the electronics and aerospace group undergoing an agreed 1p-a-share bid from GEC. Over 63m shares traded hands as they edged down a quarter to 1¼p. GEC gained 2 to 352p, partly from relief over the Jubilee line extention.

There were no real features in the insurance areas of the market, with only Sun Alliance, having any exposure to the massive storm damage afflicting northern California. Sun Alliance shares eased 2 to 369p.

MARKET REPORTERS:
Steve Thompson
Christopher Price,
Christine Buckley.

■ Other statistics, Page 10

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises				Falls			
AAF Inds	34	+	3	Lonrho	129½	+	5½
Amberley	50	+	4	Neepsend	37	+	6
Carr's Milling	132	+	10	Ramco Oil	155	+	5
Euro Disney	573	+	15	Trinity Hldgs	255	+	8
European Motor	138	+	5	Wenaum	47	+	3
Fitzwilton	51	+	3	**Falls**			
Gleves Group	58	+	11	Anglian Water	521	–	11
HSBC (75p shs)	762	+	15	Clayton, Son	88	–	5
High-Point	40	+	9	Dale Electric	80	–	17
Kenhew (A)	605	+	27	Merivale Moore	89	–	5
				Spring Ram	55½	–	4½
				Wellcome	680	–	22

NEW HIGHS AND LOWS FOR 1993

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

MARKING time was the spirit of the day in Footsie futures with the December contract showing no real sense of direction, writes Christine Buckley.

A quiet opening was followed by a squeeze on the contract which pushed it up higher. In thin volume, it edged its way up to the psychologically important resistance level of 3,200 but fell 3 short of that at its day's high.

Hopes had been raised in the morning that there would be a strong gilts market, mainly fuelled by optimism that the chancellor could be forced into a full point cut in interest rates in the Budget. That hope proved fruitless and no positive lead was offered by gilts.

The contract drifted off in the afternoon and it touched its day's low of 3,182. A small rally was mustered to push it up to a closing level of 3,186, just marginally ahead of its fair value premium to cash. Volume was steady at 8,104.

Traded options were subdued with a total of 26,545 lots dealt. Index options proved a substantial part of that activity with 11,735 lots traded in the FT-SE 100 option.

FINANCIAL TIMES EQUITY INDICES

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Year ago	*High	*Low
Ordinary share	2398.0	2383.5	2383.6	2381.5	2396.0	1963.8	2414.2	2124.7
Ord. div. yield	3.87	3.88	3.89	3.89	3.87	4.65	4.52	3.82
Earning yld % full	4.48	4.50	4.51	4.51	4.49	8.59	6.38	4.47
P/E ratio net	28.07	28.00	27.90	27.93	28.06	19.38	28.30	19.40
P/E ratio nil	25.88	25.82	25.73	25.78	25.88	17.90	26.14	18.14
Gold Mines	225.6	226.5	221.3	218.8	220.1	73.2	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2395.4	2398.3	2401.8	2399.6	2395.7	2391.9	2392.1	2391.3	2397.9	2402.1	2388.9

Volume	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Year ago
SEAQ Bargains	38,032	36,430	30,661	28,099	32,442	27,885
Equity Turnover(£m)†	-	1840.6	1308.5	1287.3	1175.3	1065.1
Equity Bargains†	-	35,721	32,558	32,472	35,688	31,237
Shares traded (mil)†	-	712.0	587.5	519.1	465.3	472.5

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday October 29 1993

Gold Mines Index	+	252.90	Electricals	+	18.13
Property	+	73.21	Other Groups	+	17.30
Merchant Banks	+	72.40	Transport	+	16.80
Metals & Metal Forming	+	53.67	Insurance (Composite)	+	16.46
Engineering-Aerospace	+	51.92	Textiles	+	16.09
Contracting, Construction	+	42.52	Conglomerates	+	15.65
Banks	+	40.43	FT-A All-Share	+	14.78
Electricity	+	39.87	Packaging, Paper & Printing	+	14.73
Financial Group	+	39.02	FT-SE-A 350	+	13.85
Building Materials	+	35.71	Water	+	12.92
FT-SE SmallCap	+	32.40	Stores	+	12.51
Investment Trusts	+	31.74	FT-SE 100	+	11.40
FT-SE SmallCap ex Inv Tst	+	31.11	Insurance Brokers	+	10.90
Oil & Gas	+	26.20	"500" Share Index	+	10.32
Insurance (Life)	+	24.40	Chemicals	+	10.22
Electronics	+	23.49	Hotels & Leisure	+	9.04
FT-SE Mid 250	+	23.24	Industrial Group	+	8.55
Capital Goods	+	23.02	Business Services	+	7.59
FT-SE Mid 250 ex Inv Tst	+	22.70	Other Industrials	+	6.92
Telephone Networks	+	22.27	Food Manufacturing	+	3.76
Engineering-General	+	21.74	Consumer Group	-	2.31
Motors	+	20.76	Brewers & Distillers	-	9.83
Media	+	20.73	Health & Household	-	13.59
			Food Retailing	-	22.08

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	121.5574	+0.077	6.49	6.52	6.69
BELGIUM		9.000	03/03	112.7000	+0.000	7.10	7.05	7.37
CANADA *		7.500	12/03	105.1600	+0.260	6.78	6.71	6.92
DENMARK		8.000	05/03	111.3000	+0.250	6.38	6.34	6.69
FRANCE	BTAN	5.750	11/98	101.3134	-	5.44	5.33	5.57
	OAT	6.750	10/03	105.5800	-0.120	5.99	5.86	6.03
GERMANY		6.000	08/03	101.0160	+0.130	5.86	5.83	6.06
ITALY		10.000	08/03	106.4900	-0.330	9.18†	8.84	9.36
JAPAN	No 119	4.800	06/99	106.7856	+0.015	2.98	3.08	3.30
	No 157	4.500	06/03	106.2879	+0.375	3.62	3.71	3.87
NETHERLANDS		7.000	02/03	108.2400	+0.170	5.82	5.77	5.90
SPAIN		10.900	08/03	115.8500	+0.600	8.43	8.35	9.06
UK GILTS		7.250	03/98	104-05	-03/32	6.16	5.98	6.29
		8.000	06/03	108-02	-02/32	6.84	6.68	6.91
		9.000	10/08	116-14	-04/32	7.19	7.06	7.24
US TREASURY *		5.750	08/03	102-15	+03/32	5.42	5.32	5.31
		6.250	08/23	103-27	+08/32	5.97	5.91	5.94
ECU (French Govt)		8.000	04/03	111.100	+0.210	6.40	6.34	6.64

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	19	42	18	102	224	73
Other Fixed Interest	1	3	11	6	18	50
Commercial, Industrial	289	256	890	1,257	1,397	4,411
Financial & Property	217	114	496	663	804	2,638
Oil & Gas	22	23	34	97	102	206
Plantations	1	1	7	9	4	28
Mines	32	47	60	178	180	337
Others	42	53	40	197	231	252
Totals	603	539	1,556	2,529	2,961	7,985

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3171.0 +8.0	3528.1 -4.3	1565.37 +2.55

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
State Street Unit Trust Mngmt Ltd (1400)F						
28 King Street, London SW1 6QW					071-344 7000	
Global A	5¼	[illegible]	3.837	4.075	—	
US Equities (u)	5¼	32.237	2.237	2.375	—	1.30
Far East Equities (u)	5¼	Y248.7	250.1	285.8	—	1.15
Japan Equities (u)	5¼	Y249.7	261.7	267.3	—	-
FT Europe (u)	5¼	124.0	126.0	132.7	—	-
FT North American (u)	5¼	81.767	1.767	1.875	—	1.89
FT Japan (u)	0¼	Y245.9	246.4	261.8	—	1.27
FT Asia Ex Japan (u)	0¼	52.319	2.339	2.485	—	1.24
Stewart Ivory Unit Tst Mgrs Ltd (1200)F						
45 Charlotte Sq, Edinburgh					031-226 3271	
American ♥	5	362.2	362.2	385.9	+0.7	0.33
(Accum Units) ♥	5	427.0	427.0	455.0	+0.8	0.33
British	5	1021.5	1021.2	1080.4	+4.0	3.38
(Accum Units)	5	1823.8	1823.0	1928.6	+7.1	3.38
Emerging Markets	5	134.4	135.3	144.1	-0.3	0.20
(Accum Units)	5	134.7	135.8	144.4	-0.3	0.20
European	5	446.5	446.5	474.5	+2.8	1.21
(Accum Units)	0	495.2	495.2	526.6	+2.3	1.21
Japan	5	158.6	158.6	168.6	+1.4	-
(Accum Units)	5	158.9	159.9	169.0	+1.4	-
New Pacific	5	307.3	369.8	393.8	+2.9	0.82
(Accum Units)	5	384.3	387.6	412.7	+3.0	0.82
Investment Tst	5	214.0	210.1	229.1	+0.8	1.64
(Accum Units)	5	241.0	243.3	259.0	-0.9	1.54
Mngd Equity	5	165.8	167.4	177.[illegible]	+0.5	1.42
Mngd Equity Acc	5	101.7	183.5	194.1	+0.3	1.42
Mngd Cash	0	95.68	[illegible]	95.[illegible]	—	5.08
(Accum Units)	0	129.7	129.1	129.7	—	5.08
Majority Stlg	1	99.8[illegible]	99.87	100.87	+0.01	4.75
Majority Stlg Acc	1	119.64	119.64	120.64	+0.01	4.75
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300					Dealing 0277 [illegible]	
Equity	0	804.0	804.0	868.5	+3.1	2.72
North America	8	129.0	129.0	138.0	+0.7	0.17
Far East	6	151.2	151.2	161.7	+2.4	0.36
W'wide Bond	0	63.39	63.39	67.29	-0.11	0.32
European	0	96.63	96.93	103.7	+1.1	0.15
Equity Income	0	92.87	93.70	100.3	+0.3	3.77
Portfolio	0	84.39	84.39	90.20	+0.05	0.48
UK Leading Cos	0	57.24	57.89	61.56	+0.22	2.73
Index Trusts						
Intnl Equity	0	64.38	64.83	69.34	-0.08	-
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants					0800 525725	
American Growth	0	35.70	35.46	37.22	+0.11	0.51
Managed Assets	0	128.30	128.24	136.3	+0.41	2.54
UK Income	6	40.27	70.62	43.45	+0.13	2.76
UK Growth	0	38.73	39.08	41.80	-0.08	2.13
Worldwide Growth	6	34.00	34.14	38.52	+0.23	0.55

	Bid Price	Offer Price	+ or -	Yield Gross
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£14.74	15.02	—	-
Lazard Brothers & Co. Ltd				
Property Oct 1	£2125.0	2275.0	—	7.00
Inc Gth Prp Jul 12	£1440.0	1900.0	—	6.90
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Oct 27	£5080.0	5402.9	—	2.02
European Oct 27	£810.7	818.3	—	1.11
American Oct 27	£428.4	461.1	—	1.93
Japan Oct 27	£801.4	808.0	—	0.48
Pacific Oct 27	£245.8	250.1	—	0.70
Midland Gth Aug 31	£131.30	143.80	—	2.7
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ		071-588 1015		
Property Sep 30	180.30	190.55	—	6.31
Equity Sep 30	1076.50	1100.8	—	2.76
*Available only to Local Authorities				
M & G Securities Ltd				
Charibond Ld	110.74		-0.2	8.01
(Accum Units)	641.17		-1.0	8.01
NAACIF Ld	88.13		—	0.74
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Oct 29	189.0	191.3	-0.30	2.20
UK Small Co † Oct 29	653.5	661.5	+1.40	2.76
Fixed Interest † Oct 29	132.4	133.4	-0.47	8.63
Intl Bond Oct 29	149.8	151.2	-0.40	7.56
Morgan Stanley International				
UK Exempt NAV	£1462.95		—	-
Overseas Exempt NAV	£1417.50		—	-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	68.94	69.55	+0.23	1.23
European Exempt	62.84	64.79	+0.38	2.31
Fixed Int Ex Oct 28	53.23	53.70		7.26
Japan Exempt	59.81	61.48	+0.73	0.61
Managed Ex Oct 20	58.35	59.00		2.90
SE Asia Exempt	161.80	158.00	+2.70	1.81
Sml Cos Exmt Oct 28	45.41	46.73	—	2.66
UK Eqty Ex Oct 28	49.82	51.46	—	3.86
NatWest Investment Management Ltd				
Smaller Cos Oct 20	6360	6670	—	3.30
PDFM Unit Managers Ltd				
Small Co's Oct 10	894.97	914.42	—	[illegible]

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Oct 27	328.4	342.1	—	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Oct 27	£250.85	264.07	+1.61	-
Equity Oct 27	[illegible]	[illegible]	+2.78	-
International Oct 27	£43.64	44.56	-0.07	-
Intl Bond Oct 27	£21.85	22.13	+0.06	-
Fixed Int Oct 27	£135.20	130.73	+0.68	-
Index Linked Oct 27	£98.42	99.63	+0.52	-
Property Oct 27	$117.00	122.99	+1.10	-
Cash Oct 27	£34.17	34.17	+0.04	-
Pru-Linked Retirement Plan				
Managed Oct 27	808.40	853.80	+7.70	-
Cash Oct 0	308.90	321.80	+0.30	-
Prudential Pensions Investment Account				
Pens Mngd	243.10	260.40	-1.80	-
Pens Mngd A	108.30	114.10	-0.80	-
Pens UK Eq	408.50	441.00	-3.10	-
Pens Intl	312.50	334.80	-1.80	-
Pens Global Eqty	137.90	145.20	-1.00	-
Pens Fixed	301.40	316.20	-1.40	-
Pens Index Lk	248.90	260.80	-0.70	-
Pens Property	92.80	97.70	—	-
Pens Cash	201.00	212.30	+0.06	-
Money Purchase Plan				
Discretionary (z)	138.50	148.50	+0.10	-
Equity (z)	142.80	153.40	+0.20	-
International (z)	141.35	150.60	-0.20	-
Global Equity (z)	141.50	151.80	+0.10	-
Intl Bond (z)	152.90	160.80	-0.60	-
Fixed Interest (z)	151.10	158.90	+0.10	-
Index Linked (z)	135.80	142.90	+0.10	-
Property (z)	106.10	116.80	—	-
Cash (z)	116.70	122.50	—	-
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	106.2	113.9	+0.00	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 0101				
Mixed	247.3	260.4	+0.7	-
UK Equity	235.4	247.8	-0.8	-
International	260.8	284.2	+2.1	-
American	254.3	267.8	-1.5	-
European	234.8	247.2	+0.6	-
Japan	242.7	255.5	+3.2	-
Pacific	361.7	380.7	+1.9	-
Technology	328.5	345.8	-0.3	-
Fixed Interest	181.7	191.3	+0.6	-
Indexed Linked	165.3	174.0	+0.4	-
Foreign Bond/Currency	231.4	243.6	-0.3	-
Cash	175.103	184.351	+0.020	-
Ethical	126.4	133.1	—	-
Pens Mixed	719.7	757.6	+1.6	-
Pens UK Equity	803.7	846.0	-1.9	-
Pens International	781.2	822.3	+0.6	-
Pens Nth American	256.5	269.9	-0.9	-
Pens European	279.2	293.9	+1.6	-
Pens Japan	292.3	307.9	+4.6	-
Pens Pacific	465.6	490.0	+1.4	-
Pens UK Fixed Interest	378.7	398.5	-0.1	-
Pens Index Linked	205.2	216.0	+0.6	-
Pens Cash	279.659	294.377	+0.036	-
Pens Property	217.03	228.45	+1.05	-
Pens Ethical	164.0	172.6	-0.3	-
Edinburgh Inv	380.9	401.0	+1.2	0
Baillie Gifford Japan	244.0	256.9	-1.6	-
Pens Global	98.7	104.0	+0.8	-
Pens Emerg Mkts	111.6	110.6	+0.8	-
Pens Overseas Bond	96.1	101.2	-0.3	-
Pens UK Smaller Cos	95.0	105.0	—	-
Scottish Life Investments				
10 St Andrew Square, Edinburgh 031-225 2211				

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
John Govett (Channel Islands) Ltd (1000)F						
0 Mulcaster Place, Helier, Jersey 0534 38576						
Global Stock Inv Ltd (Fmly Govett Flexifund)						
Global High Income	5½	$10.96	10.96xd	11.09	—	10.5
Dollar Cash	3½	$8.86	8.86xd	8.87	—	3.00
Japanese Smllr Cos	5	Y954	954xd	966	—	0.00
Far East Equity	5½	$19.02	19.02xd	19.54	—	0.00
US Smaller Cos	5½	$18.79	18.79xd	19.50	—	0.75
European Equity	5½	DM13.50	13.50xd	13.89	—	0.75
UK High Income	5	£5.83	5.83xd	5.85	—	2.00
Initial charge may vary for sales in other jurisdiction						8.4
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St Helier, Jersey 0534 604814						
Stg Fixed Int	3½	£1.401	1.401	1.487	-0.006	7.03
Offshore High Yield	3½	£1.575	1.575	1.682	-0.004	9.29
Global Equity Fund	5½	£17.59	17.71	18.94	+0.14	0.00
European Equity	5½	DM22.83	22.83	24.20	+0.24	0.00
UK Growth (CI Fund)	5½	£5.853	5.853	6.048	+0.032	1.45
Nth American Eqty	5½	$11.80	11.80	12.69	+0.09	0.00
Far Eastern Eqty	5½	£15.97	16.10	17.22	+0.17	0.00
International Mngd	5½	£14.42	14.45	15.45	+0.07	0.00
Intnl. Bond Fund						
Sterling Managed	3½	$12.27	12.27xd	12.89	-0.02	7.17
US Dollar Managed	3½	$14.18	14.15xd	14.77	+0.01	5.95
International Currency Fund						
Sterling Managed ◊	3½	£33.08	33.08	34.26	-0.19	—
US Dollar Managed ◊	3½	$31.38	31.38	32.62	—	—
Sterling ◊ ◊	0	£30.00	30.00	30.00	—	—
US Dollar ◊ ◊	0	$40.33	40.33	40.33	—	4.78
Deutschmark ◊ ◊	0	DM71.38	71.38	71.38	—	1.72
Japanese Yen ◊ ◊	0	Y5158	5158	5158	+0.01	5.39
Swiss Franc ◊ ◊	0	SFr53.15	53.15	53.15	—	1.07
Irish Punt ◊ ◊	0	I£25.95	25.95	25.95	+0.01	3.09
					—	5.08
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Tst. Gilt	3½	£10.700	10.810xd	11.100	+0.020	6.88
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	5	£1.3316	1.3310	1.4252	+0.000	0.00
Gilt	0	£1.0491	1.0494xd	1.0536	+0.001	7.30
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70000						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	$11.00	$11.00xd	221.00	-0.9	3.42
Growth (C & D)	0	323.60	323.60	339.75	-1.3	—
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	56.61	56.01	58.94	+0.05	7.47

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bank Von Ernst & Cie AG - Contd.						
Bond Sub-Funds						
Sterling Fixed Int		£-	13.56		-0.05	—
Sterling Fixed Int Div		£-	11.55		-0.05	—
European Fixed Int		DM-	11.30		-0.03	—
European Fixed Int Div		DM-	9.77		-0.02	—
International Sub-Funds						
Global Equity		$-	11.22		-0.03	—
Global Bond		$-	11.96		-0.02	—
Global Bond Div		$-	10.46		-0.02	—
Global Managed		$-	10.23		+0.01	—
Banque Scandinave a Luxembourg SA						
15 Boulevard Royal, L-2449, Luxembourg						
Scandinvest						
Scandifund Equity Fund						
Equity Intl. Acc	5	$-	17.12	17.31	+0.1	3.77
Equity Global	5	$-	1.54	1.57	+0.01	—
Equity Natural Res	5	$-	1.24	1.27	—	—
Equity Japan Acc	5	Y-	110.46	111.58	+0.88	—
Equity UK	5	£-	1.52	1.55	—	—
Equity Nordic	5	$-	1.42	1.44	+0.01	—
Equity North America	5	$-	2.08	2.11	+0.01	—
Equity Mediterranean	5	$-	0.86	0.88	+0.01	—
Equity Cont Europe	5	$-	1.05	1.07	+0.01	—
Scandifund Far East						
Far East Global	5	$-	4.36	4.41	+0.1	—
Scandifund Bond Fund						
Bond Int. Acc	1	$-	12.83	12.96	+0.02	6.64
Europe Bond Acc	1	$-	1.8	1.83	+0.01	7.16
Bond DEM Acc	1	DM-	1.29	1.31	—	6.64
Bond USD Acc	1	$-	1.47	1.49	—	5.79
Bond Sweden Acc	1	SK-	17.32	17.5	-0.02	10.18
Scandifund International Sicav						
Intl Emerging Markets	5	$-	1.34	1.27	—	—
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4790 2800						
IPS Deutschmark Reserve		DM-	32.14	—	—	—
IPS Sterling Reserve		£-	16.73	—	—	—
IPS Swiss Franc Reserve		SFr-	61.08	—	—	—
IPS US Dollar Reserve		$-	28.94	—	—	—
IPS European Bond		Ecu-	18.69	—	—	—
IPS North American Bond		$-	22.07	—	—	—
IPS Espana		Pta-	3405	—	—	—
IPS Europe		Ecu-	12.16	—	—	—
IPS Japan		$-	27.88	—	—	—
IPS Pacific Rim		$-	23.13	—	—	—
IPS United Kingdom		£-	12.32	—	—	—
IPS United States		$-	22.32	—	—	—
IPS Hedged Global Bd Str		£-	20.07	—	—	—
IPS Hedged Global Bd Stg		£-	10.50	—	—	—
Barclays Inv Funds (Luxembourg)						

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

US MARKETS (4 pm close)

[illegible]

CANADA (4 pm close)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

NORWAY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

INDICES

NEW YORK DOW JONES

	Oct 28	Oct 27	Oct 26	Oct 25	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3687.88	3684.88	3672.49	3673.61	3687.88 (28/10)	3241.95 (20/1)	3687.88 (28/10/93)	41.22 (2/7/32)
Home Bonds	109.52	109.44	109.34	108.19	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1727.93	1696.65	1697.15	1677.71	1727.93 (28/10)	1453.84 (4/1)	1727.93 (28/10/93)	12.32 (8/7/32)
Utilities	240.18	238.88	238.60	238.60	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3713.57 (3692.33) Low 3657.96 (3634.76) (Theoretical◆)
Day's High 3708.82 (3673.05) Low 3664.66 (3654.60) (Actual◆)

STANDARD AND POOR'S

	Oct 28	Oct 27	Oct 26	Oct 25	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	467.73	464.61	464.30	464.20	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials¥	535.87	531.97	531.48	530.77	535.87 (28/10)	496.46 (26/4)	535.87 (28/10/93)	3.62 (21/6/32)
Financial	45.02	44.94	45.18	45.57	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	258.99	257.46	257.27	257.33	260.46 (15/10)	236.21 (8/1)	260.46 (15/10/93)	4.46 (25/4/42)
Amex Mkt. Value	477.35	475.06	473.64	475.56	483.23 (15/10)	395.84 (8/1)	483.23 (15/10/93)	29.31 (9/12/72)
NASDAQ Composite	773.49	771.88	765.46	769.75	787.42 (15/10)	645.87 (26/4)	727.42 (15/10/93)	54.87 (31/10/72)

	Oct 23	Oct 15	Oct 8	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.81	2.84	3.24
	Oct 27	**Oct 20**	**Oct 13**	**year ago (approx.)**
S & P Industrial div. yield	2.42	2.20	2.47	2.86
S & P Indl. P/E ratio	28.51	28.48	26.00	27.52

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Eastman Kodak	8,208,500	63¾	+ 1½
Gen Motors	5,484,900	49	+ 2⅛
Ford Motor	4,608,300	63	+ 2⅝
RJR Nabisco	4,184,700	5⅞	—
UST	4,024,600	25⅞	+ 1⅛
Gt Western	3,200,700	18⅝	- ⅛
CBL & Assoc	3,008,700	19⅝	—
Telefonos	2,954,300	53⅝	- 1⅛
Nat Med Ent	2,818,900	11¼	+ ⅛
Chrysler	2,667,800	57⅛	+ 1⅞

TRADING ACTIVITY

† Volume (Millions)	Oct 28	Oct 27	Oct 26
New York SE	297.140	277.086	284.504
Amex	20.417	18.829	15.083
NASDAQ	312.140	302.949	296.901
NYSE			
Issues Traded	2,857	2,641	2,845
Rises	1,149	1,011	908
Falls	861	963	1,121
Unchanged	847	661	610
New Highs	86	70	66
New Lows	18	34	39

CANADA TORONTO

	Oct 28	Oct 27	Oct 26	Oct 25	1993 HIGH	1993 LOW
Metals & Minerals	3070.71	3015.04	3002.05	2994.54	3140.94 (16/8)	2743.31 (21/1)
Composite	4235.20	4197.46	4187.20	4155.30	4235.20 (28/10)	3275.80 (21/1)
MONTREAL Portfolio	2020.86	1985.86	1991.31	1978.81	2020.86 (28/10)	1720.97 (21/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

	Oct 29	Oct 28	Oct 27	Oct 26	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2113.2	2076.3	2068.3	2055.7	2112.20 (29/10)	1495.00 (13/1)
All Mining (1/1/80)	876.5	856.9	857.4	864.8	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	420.94	415.41	414.98	(c)	420.94 (29/10)	300.25 (14/1)
Traded Index (2/1/91)	1086.02	1070.90	1071.13	(c)	1086.02 (29/10)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1381.38	1376.58	1370.51	1372.08	1381.36 (29/10)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	349.29	345.96	347.31	347.82	349.29 (29/10)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1567.4	1555.6	1559.6	1559.9	1567.40 (29/10)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	606.54	601.97	607.54	608.73	608.73 (26/10)	471.24 (13/1)
CAC 40 (31/12/87)	2181.95	2195.96	2192.02	2210.37	2231.86 (22/10)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	794.82	783.70	785.51	792.08	794.82 (29/10)	598.92 (14/1)
Commerzbank (1/12/53)	2275.9	2243.6	2250.00	2267.90	2275.90 (29/10)	1694.30 (14/1)
DAX (30/12/87)	2080.00	2030.46	2043.08	2056.72	2074.39 (25/10)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	9329.09	9016.27	8903.20	8780.90	9329.09 (29/10)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1796.47	1795.98	1782.41	1781.80	1796.47 (29/10)	1191.10 (11/1)
ITALY						
Banca Com. Ital. (1972)	583.41	575.75	576.14	585.58	632.86 (30/8)	446.33 (6/1)
MIB General (4/1/93)	1284.0	1267.0	1268.0	1288.0	1380.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19702.97	19479.45	19938.76	20023.60	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1630.59	1602.39	1631.96	1646.31	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2087.50	2078.37	2080.52	2085.41	2384.97 (7/6)	1651.72 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	971.99	946.72	934.53	829.86	971.99 (29/10)	614.28 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	410.5	409.5	405.0	408.2	410.50 (29/10)	285.70 (4/1)
CBS All Shr (End 1983)	286.4	285.7	282.8	284.9	286.40 (29/10)	195.80 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	1034.93	1017.39	1007.74	1015.89	1034.93 (29/10)	686.83 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2372.83	2326.59	2228.45	2243.93	2372.83 (29/10)	1270.58 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	582.28	581.31	560.73	554.50	582.28 (29/10)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1755.0¥	1770.0	1754.0	1728.0	2088.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4532.0¥	4480.0	4500.0	4487.0	4718.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	742.72	742.83	744.89	747.97	777.25 (8/9)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	308.20	306.55	303.81	307.13	310.28 (22/10)	216.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1426.20	1421.30	1408.80	1415.2	1426.20 (29/10)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1166.38	1159.87	1158.81	1153.86	1166.38 (29/10)	904.90 (11/1)
SBC General (1/4/87)	824.14	918.84	917.41	913.39	824.14 (29/10)	676.70 (13/1)
TAIWAN**						
Weighted Price (30/6/66)	4088.17	4065.87	4103.83	4091.17	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	1260.91	1229.16	1193.10	1158.28	1260.91 (29/10)	818.34 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	606.6*	599.1	600.7	603.8	607.10 (15/10)	488.60 (13/1)
Euro Top-100 (26/6/90)	1160.48	1164.39	1158.92	1165.65	1175.45 (22/10)	862.73 (13/1)

**Saturday October 23: Taiwan Weighted Price; 4100.05, Korea Comp Ex 736.28. ¥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all Indices are 100 except: Austria Traded, BEL20, HEX Gen, MIB Gen, CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Dow consolidates Thursday's gains

Wall Street

US share prices traded in a narrow range on either side of opening values yesterday as investors consolidated the gains earned during Thursdays' record-breaking rally, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 1.96 at 3,685.90. The more broadly based Standard & Poor's 500 was 0.07 higher at 467.80, while the Amex composite was up 1.46 at 478.81, and the Nasdaq composite up 2.51 at 776.00. Trading volume on the NYSE was 150m shares by 1 pm.

After Thursday's big advance, when the Dow rose to a new record high of 3,687.86 on news of stronger-than-expected third quarter economic growth, investors took a breather yesterday. Some chose to take some of the profits earned earlier in the week, while others decided to sit out the session and await the markets' next decisive move.

Early weakness in bond prices, which pushed the yield on the 30-year bond to 5.956 per cent, also contributed to the subdued opening of equities trading. The declines in Treasury prices were sparked by the day's only economic news - an increase in the Chicago Association of Purchasing Management's index of manufacturing activity from 54.5 in September to 57.0 in October.

That news, plus overnight gains on foreign stock markets, ensured that profit-taking did not make a big dent in share prices during the morning session.

Some of the stocks that led Thursday's rally were flat-to-lower in early afternoon trading yesterday.

Eastman Kodak, which had jumped sharply on the news that Motorola's chairman Mr George Fisher had been hired as the company's new chief executive, gave back $⅛ at $63½. In contrast, Motorole, which fell on the news, recovered $½ to $104¾.

General Motors was hard hit by profit-taking, declining $1 to $48, as were Chrysler, down $⅞ at $56⅛ and Ford, off $⅞ at $62¼, all in heavy trading.

Brokerage stocks were in demand. Merrill Lynch climbed $⅞ to $96, Morgan Stanley rose $1 to $77¾, Salomon added $1 at $45⅝, Charles Schwab put on $⅜ at $33⅛ and PaineWebber firmed $⅜ to $29⅛.

Exide enjoyed a strong debut on the NYSE, the battery maker's stock rising from an offer price of $20 to $25½ in volume of 3.4m shares.

Aetna climbed $2½ to $65⅝ on newe of improved third quarter earnings.

On the Nasdaq market, technology issues were in favour. Microsoft rose $1 to $80, Apple added $½ at $31½, Sun Microsystems firmed $⅛ to $25⅝ and Borland International added $⅛ at $17⅛.

Canada

TORONTO eased back from early gains, and the TSE-300 composite index was quoted 3.90 higher at 4,239.14 in mid-session trading. The index had earlier risen to new intra-day high of 4,252.90. Volume was 31.8m shares valued at C$343.7m.

Mexico rally stumbles over Nafta worries

Recent third quarter corporate results have also disappointed investors, writes **Damian Fraser**

The impressive rally in Mexico's stock market over the past month has come to an abrupt end, with investors taking fright at disappointing third quarter results, and yet more obstacles to the passage of the proposed North American Free Trade Agreement.

The market was up 13.70 at 1,991.68 in late morning trading yesterday, still up 12 per cent from September 21, but down 2 per cent from the week's opening. For the year the bolsa is np 13 per cent.

The majority of the hlue chip companies reported third quarter earnings during the week, and for the most part results were below expectatione. Cemex, the construction company, Vitro, the glass company, TMM, the shipping group and Dina, the truckmaker, among others, saw sharp falls in their prices, as the weak economy and high interest rates took a toll of profits.

Even the 15.3 per cent increase in profits at Telmex, the telephone monopoly, failed to stem a sell-off.

The rally in the market earlier in the year had been fuelled hy growing confidence that the economy would start to pick up towards the end of this year and that, whether or not a free trade agreement was signed, growth in 1994 would exceed the modest 1.5 per cent expected this year.

The optimism was partly based on the steady fall in interest rates on news of lower inflation and a reduced trade deficit, and the government's intention to boost spending and cut taxes in the run-up to next year's election.

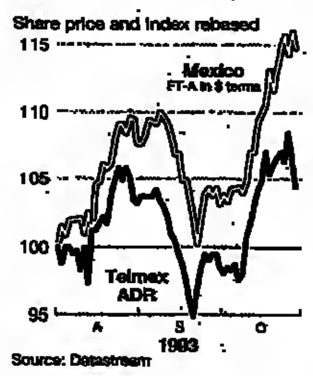
The market had also been more confident about the prospects for Nafta, the fate of which is expected to be decided by the US House of Representatives in November.

But uncertainties have never been far away. The near universal view among brokers is that rejection of Nafta would lead to sharp reversal in the market in the short term, with some predicting a return to the 1,500 or 1,600 level.

The sweeping victory of Canada'e Liberal party in last Sunday's general election, and its demand that parts of Nafta should be renegotiated came as a blow, although it was widely expected. The fear is that Canada's opposition could provide cover for US congressmen wanting to oppose the treaty.

Political uncertainty is also beginning to climb. The ruling

Mexico



Source: Datastream

party is set to nominate a presidential candidate, probably hy the end of the year: this person will be the overwhelming favourite to win next August's election.

Investors recall that the candidacy of President Salinas in 1987 led to a spectacular market rise. If Mr Pedro Aspe, the finance minister, is chosen, the market might be expected to take off again. However, if one of the less economically experienced candidates is selected a reversal could be in store.

Third quarter earnings seem set to follow the pattern of results over the past year. Industrial companies facing international competition, and those depending on trade, have performed poorly throughout the year. However, consumer-orientated businesses, such as Maseca, the flour producer, have continued to show strong gains.

The government's recently announced economic pact for next year is not expected to help industrial conglomerates. The pact would reduce energy prices but, in theory at least, the savings have to be passed on to the consumer. On the other hand, the pact will lead to a pick-up in wages and a rise in costs.

The industrial sector has also been hit by an exchange rate which, adjusted for inflation, has appreciated against the dollar every year since 1989, and remained strong throughout this year. If Nafta is rejected, the government has said that it will defend the currency with high interest rates, thereby hurting the generally indebted industrial companies.

By pushing interest rates down, SG Warburg expects Nafta to raise economic growth next year by an additional 50 basis points to 3.5 per cent, and increase earnings growth from 13 per cent to 17 per cent. Faster growth, a stronger currency and lower interest rates, should help retail companies, such as Cifra, Gigante, Liverpool, construction concerns such as ICA and Cemex, and banks sucb as Banamex and Banacci. Their earnings are sensitive to economic growth and greater consumer and government spending.

Picking companies that would be relatively unaffected by Nafta's rejection depends on whether or not the government reacts with higher interest rates, as well as the effect sucb a decision would have on the currency. Some companies, such as Vitro, that might do well under devaluation, are also heavily indebted, and would suffer from high interest rates.

Companies with low net interest peyments are Cifra, Kimberly Clark, Telmex and Liverpool, according to Baring Securities, and might be relatively unaffected by higher interest rates. Industrial conglomerates with revenues in dollars, such as Vitro, or mining companies, would gain from a devaluation.

EUROPE

Switch is seen back into German equities

WALL STREET's overnight gains inspired the early closing markets, but this stimulus was noticeably absent in the afternoon, *writes Our Markets Staff.*

FRANKFURT extended the 15-point gain it saw in Thursday's post-bourse, the DAX index closing 30.54 higher at 2,069.00, virtually flat on the official week. Turnover recovered from DM6.9bn to DM9.5bn.

Ms Barbara Schulz at Merck Finck in Düsseldorf, observed that English investors have returned to the market after a long period on the sidelines, and that this may have affected individual stocks. For instance, the metals and engineering group, Metallgesellschaft, saw a gain of DM17.50, or 4.6 per cent to DM401.50 on a big UK order. British institutions were probably trying to find underperformers, said Ms Schulz.

News based movers included Volkswagen, which rose DM7.20 to DM394 on its four day week and retreated to DM390.50 later as its works council chairman poured cold water on the idea; and Bayernverein, up just 50 pfg on the session but accelerating to DM528 in the afternoon after the bank publicised its restructuring plans.

AMSTERDAM remained in good spirits, although the CBS Tendency index closed off a year's high of 137.7, up 0.3 at 135.9 and down 0.8 per cent on the week.

FT-SE Actuaries Share Indices

October 29 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1375.41	1377.64	1378.33	1378.72	1378.41	1378.63	1375.55	1374.61
FT-SE Eurotrack 200	1440.64	1440.06	1442.01	1441.93	1441.73	1441.13	1439.03	1438.46

	Oct 28	Oct 27	Oct 26	Oct 25	Oct 22
FT-SE Eurotrack 100	1369.48	1367.82	1377.10	1378.69	1386.16
FT-SE Eurotrack 200	1435.53	1430.55	1437.92	1442.09	1447.89

Base value 1000 (26/10/90) High/day: 100 - 1380.09; 200 - 1446.86 Low/day: 100 - 1374.52 200 - 1438.42

Doubts over the future direction of the proposed link-up between four European airlines, including KLM, weighed on the Dutch carrier, and the shares moved down 70 cents to Fl 39.70. Problems have surfaced this week over the choice of a US partner, with KLM having links with Northwest and Swissair with Delta.

Heineken fared better, rising Fl 1.20 to Fl 201 on the day and 2.7 per cent on the week. Kleinwort Benson's Dutcb team has recently issued a buy note on the brewer , and noted good sales for the group's products in the US, eastern Europe and the far east.

The team said that it had upgraded its 1993 eps to Fl 12.70 from Fl 11.50 in 1992; it added that the disappointing share price performance over the past 12 months had been partly a consequence of an over reaction to the recent bottling scare, as well as the market's neglect of defensive stocks.

In the chemicals sector, both DSM and Akzo lost some of Thursday's gains as investors took another look at DSM's third quarter results. DSM slipped 70 cents to Fl 102.10 and Akzo Fl 1.70 to Fl 179.30.

PARIS settled lower on the expiry of futures and options. The CAC-40 index lost 14.03 to 2,181.95, down 2.2 per cent over the week.

Canal Plus shed FFr20 to FFr1,328 in spite of returning a 9 per cent rise in third quarter turnover, while Elf Sanofi was off FFr10 at FFr989 in reaction to news that its Yves Saint Laurent division was to be prohibited from using the "Champagne" brand name in a new product range. YSL is to appeal against the court ruling.

Michelin rose FFr2.00 to FFr131.60. Merrill Lyncb upgraded its reting on the stock during the week, and expected the price to rise by over 30 per cent during the next 12 months.

The brokers said in support of this view that first half earnings had been depressed by e FFr2.6bn restructuring charge, covering the period up to mid-1995. "This brings a degree of predictability to the path of earnings recovery which will be absent in the rest of the European automotive sector in 1994 and even in 1995."

MILAN's improvement stemmed partly from victory by the government in a vote of confidence. The Comit index rose 7.66 to 583.41, down 1.7 per cent on the week.

There was activity in Ifil and Rinascente as the former began its bid for 33 per cent of the retailer, which is being sold by Fiat as part of its financial restructuring. Shares in Ifil added L117 to L5,114, while Rinascente lost L40 to L9,462 and Fiat was unchanged at L3,723. The tender period closes on November 19.

MADRID featured a Pta90 gain to Pta2,740 in Banesto, which reported a 76 per cent drop in nine-month profits but said that it was sacrificing immediate profits for a stronger balance sheet.

The general index rose 1.65 to 308.20 for a 0.7 per cent fall on the week.

STOCKHOLM saw its second record high helped by strong gains in the bank and insurance sector. The Affärsvärlden general index rose 4.9 to 1,426.2, a rise on the week of 0.8 per cent. Turnover was estimated at SKr1.8bn.

S-E Banken A shares put on Skr1.50 to SKr60.00 and Handelsbanken A SKr2 to SKr112. OSLO rose to a new 1993 high as the All Share index put on 9.37 to 613.99, in turnover of NKr655m. COPENHAGEN posted a recovery after two days of declines, tbe KFX index rising 1.42 to 103.65, a fraction higher on the week. DDL, which controls the Danish share of SAS, rose DKr110, or 4.8 per cent to DKr2,400 on speculation that the Alcazar airline alliance is falling apart.

Written and edited by William Cochrane and John Pitt.

SOUTH AFRICA

MARKET activity moved to second line industrial stocks, helping to lift the sector index by 42 to 4,532. The gold index eased 15 to 1,755 and the overall index rose 22 to 3,916. Among golds, Vaal Reefs lost R3 to R359.

ASIA PACIFIC

Pacific Rim produces a bevy of new highs

Tokyo

SHARE PRICES were supported by public and arbitrage fund buying and the Nikkei average advanced by 1.1 per cent after three consecutive days of declines, *writes Emiko Terazono in Tokyo.*

The 225-issue index rose 223.52 to 19,702.97 after a low of 19,500.95 and a high of 19,744.27. The index, which had lost 4.1 per cent during the past three trading days, rose in tandem with the futures market on index-linked buying, and ended the week down 3.7 per cent.

Volume was 280m shares up from 235.5m and advances led declines by 709 to 266 with 146 issues unchanged. The Topix index of all first section stocks rose 28.20, or 1.8 per cent to 1,630.59, its first gain in 10 days. In London the ISE/Nikkei 50 index rose 0.23 to 1,296.42.

Confidence was also supported as the slide in East Japan Railway abated somewhat, with the shares closing down Y5,000 at Y520,000, having initially fallen to Y500,000.

Buying interest concentrated on large capital issues and high-technology blue chips. Hitachi, the day's most active issue, rose Y24 to Y861, while NEC gained Y20 to Y951. Nippon Steel added Y14 to Y334 and Mitsubishi Heavy Industries Y30 to Y675.

Consumer electronics gained ground, with Matsushita Electric Industrial up Y30 to Y1,470 and Sony gaining Y70 to Y4,920. However, Pioneer Electronic fell Y20 to Y2,770 on prospects of weak earnings.

Banks recovered some of Thursday's losses: Dai-Ichi Kangyo Bank rose Y80 to Y2,400 and Sakura Bank Y50 to Y1,680.

Nippon Telegraph and Telephone declined to Y810,000 in early afternoon, but later trimmed its losses to Y1,000 closing at Y831,000.

In Osaka, the OSE average rose 235.29 to 21,621.65 in volume of 14.1m shares.

Roundup

RECORD highs were the order of the regional day.

HONG KONG continued to ignore Sino-British differences over political reform, the Hang Seng index closing 318.82, or 3.5 per cent higher at 9,329.09, 7 per cent up on the week.

Turnover hit an estimated HK$8.72bn, up from HK$6.83bn on Thursday, and Jardine Matheson, seen as sensitive to Sino-British friction, climbed HK$3.00 to HK$74.00.

AUSTRALIA broke through 2,100 on the All Ordinaries index to close at 2,112.2, up 35.9 on the day, 2.5 per cent better on the week, and at its highest in 6 years. Turnover soared, from A$398.2m to A$908.8m.

Good corporate prospects, and the possibility of lower interest rates after a modest 0.5 per cent rise in September quarter inflation lent support, and offshore buyers looking for quality stocks drove BHP up 52 cents to A$17.70, CRA up 60 cents to A$16.34, and News Corp by 36 cents to A$11.50.

NEW ZEALAND chalked up its sixth successive gain and a four year high in the NZSE-40 index which closed 28.59 higher at 2,159.77, 2.9 per cent higher on the week. There was heavy trading across the board, but especially in the market leaders, Brierley, Carter Holt and Telecom.

KUALA LUMPUR reached its new peak on strong foreign demand for Telekom, which drove the KLSE composite index up 25.24 to 971.99, 4.1 per cent up on the week. Telekom registered a high of M$22.00 before closing at M$21.60, up M$1.70.

BANGKOK and MANILA hit their highs in spite of profit taking, the SET index putting on 21.73 to 1,260.91, 9.7 per cent higher on the week, and the Manila composite 46.23 to 2,372.83 for a week's gain of 4.9 per cent.

TAIWAN, still well below April's high, rose only 20.30 to 4,086.17 on the SEC's proposed removal of ceilings on foreign investment in individual stocks.

BOMBAY's BSE index fell 31.4 to 2,867.9, 1.8 per cent down on the week, as fears remained of a political crisis in Kashmir.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY OCTOBER 28 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY OCTOBER 27 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	156.81	+0.7	155.82	107.30	136.44	156.18	+0.4	3.31	155.78	156.18	106.94	136.11	155.60	158.81	117.39	114.89
Austria (17)	177.14	-0.3	176.02	121.21	154.12	155.33	+0.2	1.01	177.75	178.18	122.03	155.30	155.01	184.47	131.18	147.93
Belgium (42)	150.03	+0.0	149.09	102.66	130.54	135.05	+0.1	4.26	150.03	150.39	102.98	131.07	134.66	158.76	131.19	139.23
Canada (107)	132.65	+0.7	131.81	90.76	115.40	127.03	+0.4	2.63	131.76	132.08	90.44	115.11	125.65	132.65	111.41	119.05
Denmark (32)	235.96	+0.1	234.47	161.46	205.29	214.46	-0.4	1.05	235.73	236.31	161.83	205.96	217.30	239.12	185.11	185.83
Finland (23)	123.48	-0.3	122.70	84.49	107.43	150.32	-0.3	0.69	123.91	124.21	85.06	108.25	150.76	125.09	65.50	67.20
France (96)	169.41	+0.4	168.34	115.91	147.38	155.36	+0.1	3.05	168.73	169.14	115.82	147.40	155.49	173.05	142.72	146.78
Germany (60)	132.63	+0.2	131.79	90.76	115.39	115.36	-0.2	1.76	132.39	132.63	90.81	115.59	115.59	136.13	101.59	108.52
Hong Kong (55)	360.57	+1.3	358.30	246.73	313.73	357.87	+1.3	2.90	356.03	356.80	244.41	311.08	353.31	360.57	218.82	252.25
Ireland (14)	174.00	+0.7	172.90	119.06	151.38	175.00	+0.8	3.20	172.81	173.23	118.63	150.98	173.50	174.50	129.28	134.34
Italy (70)	68.54	+1.0	68.11	46.90	59.63	83.29	+0.7	2.01	67.89	68.06	46.60	59.31	82.75	78.93	53.76	58.15
Japan (469)	148.48	-1.5	147.54	101.60	129.18	101.60	-1.8	0.81	150.80	151.17	103.52	131.77	103.52	165.91	100.75	104.06
Malaysia (69)	470.79	+1.0	467.82	322.13	409.60	483.99	+1.1	1.48	466.34	467.47	320.12	407.43	480.34	470.79	251.96	266.37
Mexico (18)	1848.58	-1.0	1836.81	1264.91	1608.34	6308.54	-0.9	0.78	1867.70	1872.24	1282.11	1631.78	6366.07	1867.70	1410.30	1415.98
Netherland (25)	195.10	+1.4	193.87	133.50	169.75	167.54	+1.1	3.27	192.38	192.83	132.05	168.07	165.71	196.17	150.39	154.54
New Zealand (13)	68.22	+1.9	67.78	46.68	59.36	63.42	+1.2	3.50	66.92	67.09	45.94	58.47	62.54	68.22	40.56	37.64
Norway (23)	180.65	+0.5	179.51	123.61	157.18	160.10	-0.3	1.42	179.77	180.20	123.40	157.06	160.58	185.10	137.71	138.62
Singapore (38)	322.86	+0.7	320.82	220.92	280.90	236.42	-0.1	1.43	320.60	321.37	220.07	280.09	235.95	322.86	207.04	190.25
South Africa (60)	212.68	-1.8	211.34	145.53	185.04	196.64	-1.0	2.70	216.54	217.07	148.64	189.18	198.62	218.72	144.72	154.25
Spain (42)	142.51	+0.7	141.61	97.52	123.99	145.32	+1.0	4.07	141.58	141.91	97.18	123.69	142.99	145.90	115.25	110.25
Sweden (36)	203.83	+1.2	202.55	139.48	177.35	245.65	+1.0	1.38	201.41	201.90	138.27	175.96	242.19	208.92	149.70	158.01
Switzerland (50)	146.75	+0.4	145.84	100.42	127.67	134.39	+0.1	1.92	146.16	146.51	100.34	127.71	134.22	149.29	108.91	110.39
United Kingdom (218)	181.54	+1.1	180.40	124.21	157.95	180.40	+0.1	3.74	179.51	180.17	123.09	156.83	180.17	182.00	164.24	164.65
USA (519)	190.53	+0.6	189.32	130.38	165.77	190.53	+0.6	2.73	189.37	189.82	130.00	165.45	189.37	191.56	175.38	171.82
Europe (750)	161.28	+0.8	160.27	110.36	140.33	154.27	+0.5	2.93	160.05	160.44	109.87	139.84	153.88	162.87	133.82	133.83
Nordic (114)	181.64	+0.7	180.49	124.29	158.04	200.45	+0.5	1.22	180.28	180.72	123.76	157.51	199.47	184.44	131.76	131.19
Pacific Basin (713)	156.57	-1.2	155.58	107.14	136.23	111.23	-1.5	1.08	158.48	158.86	108.81	138.48	112.81	168.80	105.88	108.01
Euro-Pacific (1463)	158.41	-0.4	157.41	108.38	137.81	128.33	-0.6	1.86	159.03	159.42	109.16	138.93	129.11	162.86	117.26	119.05
North America (626)	186.92	+0.6	185.74	127.92	162.65	186.18	+0.6	2.70	185.73	186.18	127.51	162.30	184.86	187.68	171.51	168.54
Europe Ex. UK (532)	141.87	+0.5	140.96	97.10	123.46	135.66	+0.3	2.41	141.10	141.44	96.86	123.26	135.24	143.73	112.51	115.00
Pacific Ex. Japan (244)	234.87	+0.7	233.39	160.74	204.37	217.44	+0.3	2.67	233.16	233.73	160.09	203.73	215.84	234.87	152.70	157.55
World Ex. US (1649)	159.21	-0.3	158.20	108.95	138.52	130.59	-0.7	1.88	159.81	160.19	109.71	139.63	131.51	162.89	118.51	120.21
World Ex. UK (1950)	168.43	+0.1	167.37	115.27	146.57	145.77	-0.2	2.02	168.24	168.63	115.48	146.99	145.95	169.86	134.22	134.02
World Ex. So. Af. (2108)	168.45	+0.1	167.39	115.27	146.58	148.76	-0.2	2.18	168.28	168.68	115.51	147.02	149.02	170.38	137.29	136.86
World Ex. Japan (1699)	181.14	+0.7	180.00	123.96	157.63	178.78	+0.5	2.76	179.96	180.40	123.55	157.25	178.21	181.53	157.47	155.20
The World Index (2168)	168.64	+0.0	167.58	115.40	146.74	149.20	-0.2	2.18	168.64	169.05	115.77	147.35	149.60	170.68	137.32	136.66

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8½pc 1994		100⅝		102⅜	100⅛	8.48	5.42
14½pc 1994‡‡		102⅜	-⅛	108¼	102⅜	14.07	5.36
Exch 13½pc 1994		103⅜	-⅛	109⅜	103⅜	12.98	5.27
Treas 10pc Ln 1994‡‡		102⅞		105¾	102⅞	9.73	5.29
Exch 12½pc 1994		105⅛	-⅛	110⅞	105⅛	11.83	5.25
Treas 9pc 1994‡‡		103½		105¾	103⅜	8.67	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2003		121⅞	-⅛	122¾	109⅝	8.25	6.97
Treas 11½pc 2001-4		125⅝	-⅛	126¾	116⅞	9.19	7.05
Funding 3½pc '99-4		80½	-⅛	81½	67⅛	4.36	6.00
Conversion 9½pc 2004		118⅛xd	-⅛	120⅛	105⅞	8.01	7.03
Treas 6¾pc 2004		97⅛	-⅛	98⅛	47⅛	6.83	6.89

BRITISH FUNDS - Cont.

Index-Linked	Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Treas 2pc '94	(102.9)	135⅜xd		135⅜	131½	-	-
2pc '96	(67.9)	202¼	+⅛	203⅛	194⅛	1.27	2.18
4⅝pc '98‡‡	(135.6)	112⅛	+⅛	112⅝	105⅛	1.61	2.28
2½pc '01	(78.3)	171⅛	+⅛	172⅛	158	2.49	2.86

OTHER FIXED INTEREST

Continued on next page

OBITUARY

FOX - RALPH MARVIN

- suddenly, on 24th October, whilst visiting London from Hong Kong. Much loved husband of Sandy, loving father of Andrew, Christopher, Elisabeth and Kendra and adored son of The Rev. W. Anderson and Mrs Fox. Recent grandfather of Peter. Deeply missed by his family, many friends and colleagues for his kindness, generosity and wonderful sense of humour.

Funeral Service to be held at 1.00 pm on 1st November, at U.S. Military Academy, Cadet Chapel, West Point, New York. Flowers: Hogans Funeral Home. Tel: 0101-914-446-2868.

A Memorial Service will be held in London on Friday, 19th November at 2.30 pm at St. Clement Danes, Aldwych, London WC2.

Donations to West Point Athletic Fund, U.S. Military Academy, West Point, New York - Ralph M. Fox - Class of 1962.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	18⅞xd	+⅛	20¼	15⅝	16,796	2.4
Allegheny & W ♥	536p	+4	722p	389p	308.2	3.7
Amdahl	382p	-20	591p	284p	339.2	1.1
Amer Cyanamid	36⅝	+⅛	35	31¼	3,290	3.2
Amer Express	21⅛xd	-⅛	25⅝	14⅞	10,166	3.2
Amer T & T	36⅝xd	-⅛	43¼	33⅛	52,387	2.3
Ameritech	57⅞	-⅛	59¼	46	25,011	4.3
Anheuser-Busch	32	-⅛	41¼	29⅛	8,955	3.0
BankAmerica	29¼xd	-⅛	32⅞	27⅛	10,043	3.3
Bankers NY	53⅛xd	-⅛	54¼	42⅞	4,380	3.9
Bell Atlantic	42⅞	-⅛	44⅛	32¼	18,421	4.2
BellSouth	41⅞	-⅛	42¼	32⅞	20,696	4.4
Bethlehem Steel ♥	11¼xd	—	13⅛	8½	1,018	—
Bowater	1328pxd	+22	1082p	1189p	438.5	3.0
CPC	32½xd	-⅛	34⅞	26	4,970	2.6
California Engy	1163p	+17	1479p	1085p	218.4	—
Chase Manhattan	22½xd	+½	24⅞	17⅞	3,512	3.8
Chrysler	35⅞xd	+1⅛	38⅛	21¼	11,237	1.6
Citicorp	24¼xd	+⅛	98	13¼	6,864	—
Colgate-Palm	39¼xd	-⅛	45⅝	32	6,348	2.4
Cont'l Bank	1729p	-27	1877p	1278p	1,747	2.3
Dana	39⅛xd	-⅛	39⅛	29⅞	1,808	2.7
Data General	621p	-14	551p	527p	171.4	—
Decora Inds ♥	98p	—	148p	98p	—	—
Dun & Brad	44⅝	-⅛	44⅞	37⅛	7,957	3.7
Eaton	35¼	-⅛	36⅞	25⅞	2,487	2.2
Echlin	21¼xd	—	22	15⅛	1,207	2.2
FPL	28¼xd	-⅛	27⅞	23¼	4,059	6.2
Ford Motor	43¼xd	+1½	42¼	38⅞	20,785	2.5
Gen Elect	65⅛xd	-⅛	67⅞	53⅞	55,619	2.8
General Host ♥	479p	-12	723p	456p	—	4.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكتبة الأسد

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
[illegible]							
Europa Mins	♣N□	34	—	42	15	16.4	-
Gleneor Expl lt	‡‡	77	—	12	8	2.08	-
Greenwich Res	♣□	15½	-½	22¼	9	12.1	-
Harmio Gold C$		19⅝	-⅛	19⅝	13½	810.8	1.6
Ivernia West lt	‡‡□	30	—	57	21	19.6	-
Kells Mins lt	‡‡	12	—	14	8	8.29	-
Konmare	♣□	9¼	—	13½	8	9.26	-
Malogs Res		8	—	25½	7	0.88	-
Naven Res lt	♣	104	—	194	25	17.7	-
5pc Ln Notes		88	—	88	25	17.8	-
Oryx Gold		44	+17	78½	81	-	-
‡‡Ovoca Res lt		9½	—	9½	3½	0.68	-
RTZ	♣†N□	883	—	746	607	7,280	5.6

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♠ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2).
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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FINANCIAL TIMES

Weekend October 30/October 31 1993

Governor sounds a strong warning on inflation

Bank cools speculation over cut in interest rates

By Peter Marsh and Peter John

MR EDDIE GEORGE, governor of the Bank of England, yesterday damped speculation about an imminent cut in UK interest rates by suggesting this could jeopardise the goal of price stability.

Sounding a warning on inflationary pressures, Mr George said British industry needed a long period of monetary stability rather than short-term economic boosts provided by interest rate cuts.

Speaking to journalists in London, the governor said he was "not confident" that cutting interest rates from 6 per cent would be compatible with the government's target of keeping underlying inflation below 4 per cent.

"As of now, I think monetary policy is appropriate for the conditions we face," Mr George told the Foreign Press Association.

He added that any adjustment to monetary policy was likely to be finely balanced. Commentators calling for rate cuts of up to two percentage points had not seriously thought through the implications for inflation of such a large cut.

Eddie George: bullish about Britain's growth prospects

The remarks from the governor weakened short-dated gilts – which normally track expectations about likely levels of interest rates – and boosted the pound, which recovered from early weakness against the D-Mark to close unchanged on the day at DM2.4975. Against the dollar, sterling closed down just over half a cent at $1.4865.

However, Mr George's comments failed to shake the general belief in financial markets that Mr Kenneth Clarke, the chancellor, will cut base rates by up to 1 percentage point around Budget day on November 30, possibly to offset a fiscal tightening to curb Britain's £50bn budget deficit.

Mr George was fairly bullish about the UK's growth prospects, arguing that even with the weakness of important export markets in the rest of Europe, many British companies were well poised to take advantage of the general turn upwards in UK demand.

Mr George stressed that the top priority for the Bank was "to achieve and maintain price stability in the medium and long run."

Stock Markets, Pages 18, 19
See Lex

Queens Moat horror story revealed

Continued from Page 1

examination before being adopted.

He said financial controls in the group had been severely lacking. The new management team appointed in July had been unable to locate the working papers from which 1992 interim profits were constructed. An outsider close to the group said of the financial controls, "it was a complete and bloody shambles".

A number of the group's hotels were run by managers paid under an incentive scheme. Mr Andrew Le Poidevin, the new finance director, said "in the past there was very little financial information from these hotels".

In its rush to expand into continental Europe, QMH had acquired hotels in France which were subject to leasing deals making it "unlikely that these hotels can ever be profitable", Mr Coppel said. In Austria hotels had been acquired with excessive debts making them "heavily loss-making".

The group first announced it was in difficulties in March, when its shares were suspended at 47½p.

QMH has been surviving with the support of its banks. These are now entering discussions with the company over a financial restructuring. This is expected to give the banks control and substantially dilute the interests of existing shareholders.

A banker said that when the details of QMH's losses and property revaluation were given to a meeting of the company's banks on Thursday there was a "shocked silence". One banker said he had "no idea how a company could build such a complicated banking structure with such inadequate security".

With nearly 200 subsidiaries, loans from 65 banks in a number of different syndicates with varying levels of security, and operating in many countries, the restructuring will be extremely complicated.

The plan is to concentrate on a core of 50 UK hotels which will be renamed and form a base for eventual expansion. The other 53 hotels in the UK and the 86 hotels elsewhere in Europe will be managed to maximise returns for shareholders and creditors.

Although the business plan assumes some recovery in hotel values, one banker said the assumptions were sensible and if lenders "sit tight" they could eventually get all their money back.

Leaders renew impetus for Ulster peace

Continued from Page 1

killings by terrorists from the Catholic and Protestant communities. Their communiqué attacked the "murderous and premeditated acts which could serve no end other than to deepen the bloodshed in Northern Ireland".

Mr Major and Mr Reynolds reaffirmed their determination to restart the stalled negotiating process designed to bring a permanent political settlement to the province.

Their cautiously upbeat tone followed the Dublin government's acknowledgement earlier this week of the right of the Unionist community to exercise a permanent veto on changes in Ulster's constitutional status.

Both sides confirmed that the essence of any agreement would be a move by the Republic to replace its constitutional claim to the province with the aspiration of a united Ireland. Britain in return would offer a significant extension of cross-border administration.

But the communiqué glossed over significant differences on the extent to which elements of the Hume-Adams peace initiative could be incorporated into their own negotiations.

Mr Reynolds told Mr Major that the two sides could not ignore the potential for a cessation of violence by the IRA in return for a place at the negotiating table for Sinn Féin.

But, speaking after their talks, Mr Major told journalists that there could be "no talks or negotiations between democratic governments and those who use, threaten or support violence". Nor could there be any secret agreements or understandings with Sinn Féin or the IRA.

Despite their new determination to fill the political vacuum in which the terrorists have flourished, the two leaders also acknowledged that an intergovernmental agreement would not be enough in itself to bring peace.

Israeli coalition shaken by row over meat

By Julian Ozanne in Jerusalem

IN NO country but Israel could the importing of pork chops and bacon provoke such a storm of controversy, threaten the government's fragile coalition, put at risk a historic peace process and challenge the economic reform programme.

Yet, for the past week, Israeli politicians have been obsessed by the issue, which goes to the heart of Israel's confusion about whether it is a secular or a religious state. The controversy has also exposed the continuing power of the small ultra-orthodox religious parties to set the political agenda.

A week ago, Israel's High Court ruled that the government must allow private importers to bring in meat even if it was non-kosher. Ruling in favour of Meatreal, a private meat processing and marketing company, the court said private importing of meat was legal under the government's privatisation policy and under the Basic Law of Israel, which grants freedom of choice. "Israel is not a theocracy," said one of the High Court judges.

The decision sparked a storm of protest among Israel's religious parties and Jewish fundamentalists who claimed the policy would make kosher meat more expensive and drive Jews to eat the non-kosher variety.

The ultra-orthodox Shas party, which has six MPs, said it would not continue supporting the government unless the decision was reversed. Shas quit the coalition recently after its two senior politicians were charged with fraud, breach of public trust and misallocation of public resources.

Without Shas, Mr Yitzhak Rabin's coalition commands only 56 seats in the 120-member Knesset and must rely on support from two Arab parties with five seats. The prime minister has been stressing the importance of getting Shas back to support the peace process.

After the High Court ruling, Shas threatened to join the opposition and vote against the state budget, which was essentially a vote of confidence in the government.

Throughout it all, Mr Rabin remained philosophical. "Cabinet crises in the past have occurred because of real issues, but more often due to religious issues. What a strange people we are. What strange political institutions we have," he said.

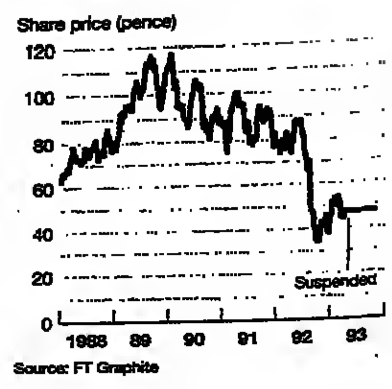
He initially attempted to defuse the crisis by promising Shas he would introduce new legislation to ban the import of non-kosher meat. As a result, he ran straight into problems with his main coalition partner, Meretz, which represents secular interest groups. The coalition chief whip said the threat could end the Middle East peace process but the row is likely to blow over.

THE LEX COLUMN

Drowning in Queens Moat

FT-SE Index: 3170 (+8.0)

Queens Moat Houses



Source: FT Graphite

Until March this year when its shares were suspended, Queens Moat Houses appeared a respectable hotel chain with a long and successful history as a publicly-quoted company. The document released by the company's new management, however, depicts a company lacking the most basic financial controls. Some of the choicer elements include the payment of unlawful dividends over three years and the non-existence of records used to construct the 1992 interim results. Even among the many horrors unearthed by the recession, this catalogue of concerns ranks high. Despite the praiseworthy efforts of the Cadbury committee and Accounting Standards Board, many questions about corporate governance and financial reporting remain unaddressed.

The most disturbing aspect is the flimsiness of opinions expressed by the company's past advisers. It is perplexing, to say the very least, that two firms of property valuers could arrive at such different valuations of QMH's hotels in the space of a year. QMH's previous auditors and brokers deserve censure for permitting the publication of misleading accounts. The Department of Trade and Industry would appear to have much to investigate.

The new management has done its best to draw a line under past errors. But given the incompleteness of records at QMH's 200-odd subsidiaries and its remaining lease liabilities, this can only be drawn in pencil. The future strategy of the group is dictated by circumstance. There is little point in QMH's banks appointing receivers and dumping 200 properties on a glutted hotel market.

The following months will doubtless see much haggling between QMH's 65 banks and the two classes of preference shareholders over the terms of the restructuring. Ordinary shareholders, though, have little hope of any redress. QMH may only make £20m of trading profits this year, sufficient to support about £250m of debt. The forthcoming debt-for-equity swap will surely obliterate any remaining value.

UK equities

The whirring cogs of the UK economy emitted some discordant noises this week, but they were drowned out on the equity and bond markets by the shouts of 'buy' orders down telephones. The CBI's quarterly industrial trends suggesting the UK recovery was faltering as a result of recession in mainland Europe caused only a momentary flutter of concern. Anxieties about the outlook for corporate earnings were also shrugged off. Since the beginning of October, NatWest Securities' analysts have downgraded their earnings forecasts for 18 companies while upgrading only five. The market worries not a jot.

The benign interpretation is that such anxieties matter very little, given the trend in global interest rates. Indeed, even bad economic news, such as the CBI survey, is seen as encouraging because it only makes more certain further interest rate cuts. Moreover, if the UK really has tamed its inflation problem, 10-year gilts yielding 6.7 per cent continue to look cheap against the 5.8 per cent obtainable on German bunds. Such logic may well underpin a further run in UK equities and bonds. But in a European context, the UK will steadily lose its charms when compared with continental markets. Investors may switch into France and Germany, where real interest rates remain high and the economic cycle has not yet swung upwards.

Food manufacturers

The big three superstore groups this week conducted a highly effective marketing campaign. Unfortunately, it was for their new rival, Costco. Their legal challenge ensured much media space was devoted to the threat of warehouse clubs, unnerving the stock market. More than £800m was lopped off the value of the big three's shares in two days as a result. Such a response is surely out of proportion to the immediate threat to their market position. But fears of margin pressure over the longer run may yet prove well founded. Amid the hysteria, almost no attention has been paid to the possible knock-on effects on retailers' suppliers. If the superstore groups over-react to Costco's arrival and cut prices, then manufacturers' margins will clearly suffer. A lowering of the food industry's whole margin structure would be just as painful for the manufacturers as the established retailers in the near term.

Strangely, though, the branded food manufacturers could view warehouse clubs as their biggest allies if they become a substantial presence in future. UK manufacturers are desperate to lessen their exposure to the big three and develop alternative distribution channels. Not only do UK superstores exert ever greater buying muscle, they are also committed to developing their own rival private label products. Yet, in the US, warehouse clubs stock leading branded goods almost exclusively. For manufacturers, higher sales volumes through warehouse clubs could be their best chance of offsetting the inevitable margin squeeze.

Salomon Brothers

It is nice to see that time has not dimmed Salomon's inventive talents. Strips – bonds which are separated out into a stream of interest payments and one lump sum principle repayment – have made Salomon plenty of money. Having started the market in the early 1980s, Salomon is now turning full circle and putting the bonds and their interest payments back together again. Doubtless this is not what Salomon intended in the mid-1980s. But luck has intervened, since the high-coupon bonds which it split have become the benchmark for the vast T-bond futures market. Fortune has smiled on those who take a supple view of markets.

The futures fluke allows Salomon to buy large quantities of the split bonds, put them back together and hedge them perfectly. Since Salomon's split bonds have underperformed comparable whole securities, it can also afford to pay up for their strips and still guarantee themselves a handy profit. Of course, customers may not be quite so chuffed to buy a premium-priced product from Salomon, watch it fall behind the basic bond over the best part of a decade and then sell it back to the same arbitrage desk. Salomon scores on the way in, the way out, and dealing in between. But on Wall Street, that's a good trade.

FT WORLD WEATHER

Europe today

High pressure centred over Scotland and Poland will result in calm conditions over north-west Europe. During the morning, fog patches will persist, but should have cleared by noon in most areas.

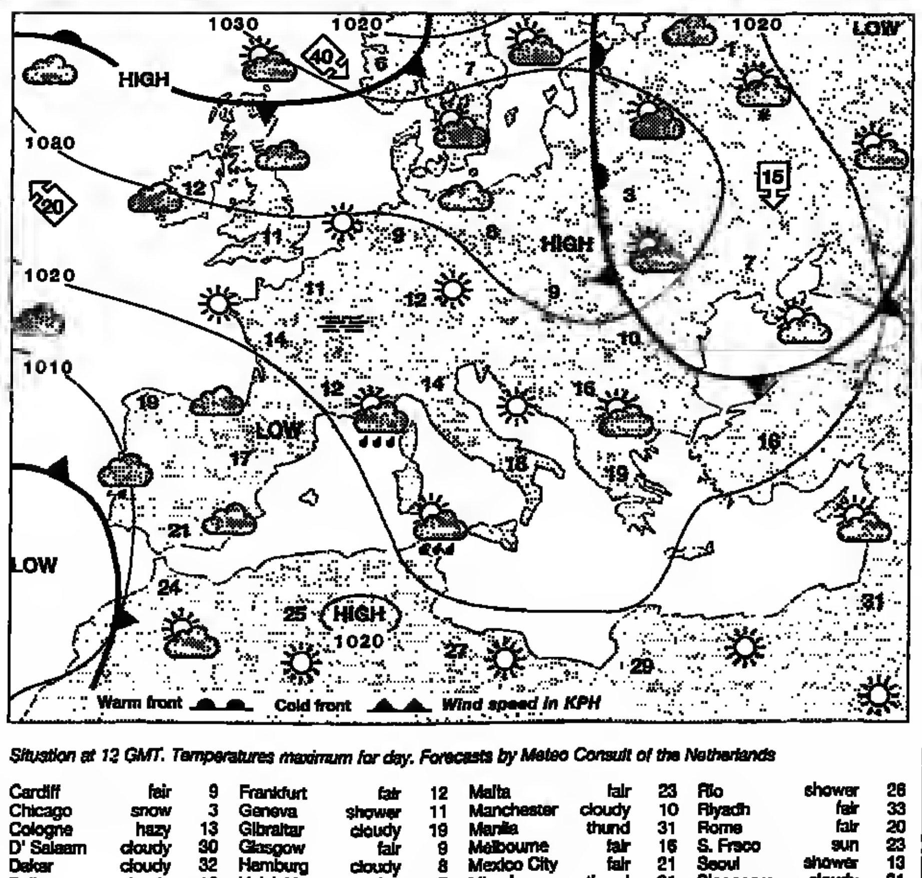
It will stay dry, but mainly cloudy.

England and Wales will enjoy sunny periods. During the afternoon, the Benelux, Germany and France should see some sunshine as well. Southern France and Italy could be affected by thunder showers. Portugal and Spain also face the prospect of rain or thunder showers. Frontal systems over Scandinavia and the CIS will cause some rain in Norway and snow in northern Finland and Russia.

Greece and Turkey will have sunny periods with afternoon readings mostly between 15-20C.

Five-day forecast

High pressure will remain dominant over north-western Europe causing settled conditions. It will stay calm, but mainly cloudy with morning fog patches. A depression over south-west Europe will result in rain and thunder showers in Spain, Portugal, southern France and Italy. Frosty conditions over the CIS will move further eastward. Central and southern Scandinavia will enjoy a few mild days.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	33
Accra	shower	32
Algiers	fair	26
Amsterdam	hazy	9
Athens	fair	18
B. Aires	fair	21
B.ham	cloudy	9
Bangkok	cloudy	33
Barcelona	shower	18
Beijing	fair	13
Belfast	cloudy	10
Belgrade	fair	13
Berlin	fair	9
Bermuda	shower	28
Bogota	shower	19
Bombay	fair	34
Brussels	cloudy	11
Budapest	fair	11
C.hagen	cloudy	8
Cairo	fair	31
Cape Town	cloudy	21
Caracas	cloudy	31
Cardiff	fair	9
Chicago	snow	3
Cologne	hazy	13
D' Salaam	cloudy	30
Dakar	cloudy	32
Dallas	cloudy	18
Delhi	fair	32
Dubai	sun	33
Dublin	cloudy	11
Dubrovnik	fair	19
Edinburgh	cloudy	9
Faro	rain	21
Frankfurt	fair	12
Geneva	shower	11
Gibraltar	cloudy	19
Glasgow	fair	8
Hamburg	cloudy	8
Helsinki	fair	7
Hong Kong	cloudy	22
Honolulu	fair	25
Istanbul	fair	15
Jersey	fair	10
Karachi	sun	35
Kuwait	fair	32
L. Angeles	sun	28
Las Palmas	cloudy	25
Lima	fair	22
Lisbon	cloudy	18
London	cloudy	11
Lux.bourg	hazy	11
Lyon	fair	12
Madeira	shower	21
Madrid	fair	18
Majorca	shower	21
Malta	fair	23
Manchester	cloudy	10
Manila	thund	31
Melbourne	fair	16
Mexico City	fair	21
Miami	thund	31
Milan	cloudy	13
Montreal	cloudy	4
Moscow	fair	-1
Munich	cloudy	7
Nairobi	cloudy	28
Naples	fair	20
Nassau	fair	31
New York	rain	13
Nice	shower	18
Nicosia	fair	28
Oslo	fair	6
Paris	fair	13
Perth	fair	17
Prague	[illegible]	[illegible]
Rangoon	cloudy	34
Reykjavik	fair	5
Rio	shower	28
Riyadh	fair	33
Rome	fair	20
S. Frsco	sun	23
Seoul	shower	13
Singapore	cloudy	31
Stockholm	fair	8
Strasbourg	hazy	10
Sydney	fair	23
Tangier	cloudy	23
Tel Aviv	fair	29
Tokyo	rain	17
Toronto	cloudy	8
Tunis	fair	25
Vancouver	cloudy	15
Venice	fair	14
Vienna	fair	10
Warsaw	cloudy	5
Washington	rain	14
Wellington	shower	17
Winnipeg	fair	-2
Zurich	hazy	10

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Weekend FT

SECTION II

Weekend October 30/October 31 1993

Breaktime at the Royal Grammar School, High Wycombe: 68th in the FT-1000 survey

Trevor Humphries

State schools begin to gain on private sector

*... But fee-payers dominate the league tables. **John Authers** and **Gillian de Bono** study the FT schools survey*

BRITAIN'S state schools have been gaining academic ground against the fee paying sector, according to this year's *FT*-1000 survey of Advanced Level examination results published with the *Weekend FT* today.

Although private schools still dominate the upper reaches of our league table, 23 state schools made it into the top 200, compared with only three last year. More significantly, some famous and expensive independent schools failed to achieve A-level scores as good as those of the top state schools.

Essex girls at Colchester County Girls' High, the top state school at no 37, showed a clean pair of heels to those of Benenden, Cheltenham Ladies' College, and Roedean. Lower down the list, John Hamden grammar school in High Wycombe in 411th place, still beat respected boarding schools such as Blundell's and Sedbergh.

This year's survey has also raised controversial questions about what *type* of school is most likely to get the best results. It suggests that, with impressive exceptions, day schools do better than traditional boarding schools and that single sex schools do better than co-educational schools. But one of the most striking revelations from the publication of exam results is the success – in one area at least – of the despised selective system, based on grammar and secondary modern schools.

While most of the country was converting these "11-plus" schools into comprehensives, particularly under Margaret Thatcher when she was education secretary in the early 1970s, Buckinghamshire retained selection at aged 12. Now it boasts not only the top state boys' school in the *FT*-1000 survey, but average results well ahead of those for the country as a whole. Last year's government figures put the county's A level performance in fifth place out of 108 education authorities. Our survey suggests it has done even better this year.

But was good performance by the cleverest children achieved at the expense of the less fortunate – those who used to be stigmatised as "11-plus failures"? It seems not. Buckingham gets excellent results from pupils with a wide range of abilities, including those who fail the grammar school exam. In High Wycombe, for example, The Royal Grammar School (68th in the *FT*-1000), was up with famous names in the independent sector, such as Dulwich College, Charterhouse, Shrewsbury, and Haileybury. Last year it gained more places at Oxford and Cambridge than any other state school.

However, the town boasts two other successful grammar schools and, more remarkably, several secondary moderns (now called "upper schools") with good examination results. Because our league table is based only on A-levels, it does not show the upper schools' success. But in GCSE exams, taken at 16, some of these schools finished ahead of comprehensives in neighbouring Milton Keynes.

So the latest evidence from the *FT*-1000 and the government's exam statistics suggest that the selective education system which Britain has been dismantling during the last 25 years can be successful for a wide range of ability – under certain conditions. The figures for Buckinghamshire also illustrate a more general truth – that where state schools achieve good results, the independent sector tends to be pushed into second place.

It might be objected that High Wycombe, like some other places with good state school results, is inhabited by the ambitious middle classes whose children would do well in any system. Our survey shows, for example, that the best performing comprehensive schools are those which serve areas where affluent and educated people live, such as north Oxford, or Sunningdale in Berkshire.

In Buckinghamshire, Andrew MacTavish, head of John Hampden, confirms that many parents who work for international companies have moved to the Wycombe area on the advice of their employers.

Wycombe, situated in the leafy Bucks commuter belt, is indeed attractive to prosperous parents. But it is not wealthy enough to explain such outstanding results. Unemployment has followed the decline of the town's traditional furniture industry, and a strong influx of immigrants means that it is not without "inner-city" problems.

The good rating of Wycombe's grammar schools in the *FT*-1000 no doubt reflects the fact that parents send their children from a wide radius, including the far corners of Berkshire and Surrey.

Weak competition from local independent schools also helps. It seems that in this area, the dream of many idealists of the 1950s and 1960s has been fulfilled: they hoped then that strong middle class demand for improved state education would make private schools unnecessary.

But the middle classes always want the best for their children, which in a selective system, means grammar schooling, good A level grades and a university degree. What happens to the others? In High Wycombe the answer might be that they go to the Sir William Ramsay upper school.

In that case their prospects would be quite good. Last year 34 per cent of the school's GCSE exam entries resulted grades A to C, equivalent to a pass in the old GCE O-level. This was close to the average for the whole of the UK and much better than the performance of Milton Keynes's comprehensives, which accept children with a much wider range of abilities. There, the average is only 23 per cent. Two other upper schools in Wycombe, St Bernard's, which is Roman Catholic, and Wye Valley, also managed to better the nearby comprehensives.

If the entire Wycombe area is viewed as one big comprehensive school, to use an analogy suggested by Bill Richards, head of Sir William Ramsay, then in 1992, 52 per cent of pupils win at least five GCSEs at grades A to C. The average for the whole of the UK last year was 38 per cent.

Sir William Ramsay has even started a sixth form, once an unimagined development for a school intended only to take the 70 per cent of pupils who did not make the grade at the age of 12.

Although such successes might encourage those Conservatives who want to return to some form of selective education system, recent attempts in several counties to reintroduce selection, have run into fierce local opposition.

In Wycombe, however, there is equally fierce local commitment to selection. Heads of the area's 13 schools agree this stems from the council's battle in the mid 1970s with Shirley Williams, then Labour education secretary, to preserve the grammar schools.

Ever since that successful rearguard action, the Conservative county council has wanted to prove that its system works and can win popular support. In Buckinghamshire, a Conservative vote is a vote for selective education. It was the only county in England to retain a Conservative council after the May elections this year.

As Richards points out, this popular support could not have been won only on the basis of A level results by grammar schools. If parents believed that exam grades were achieved at the expense of sub-standard education for the rest, there would have been strong pressure to change the system.

So it is instructive to look behind the examination results, at the strategies which the education authority has used to fulfil the ideals, as it saw them, of the 1944 Education Act. This envisaged a harmonious relationship between three types of schools, grammar, secondary modern and technical based on selection.

First, the authority has promoted a traditional ethos in *all* its schools. In Wycombe, all schools enforce uniform and discipline strictly.

Second, it has formed a sixth-form consortium of Wycombe schools which allows pupils of one school to take lessons at another. This emphasises to pupils who miss the grammar school boat that they have a second chance.

The idea is that each school should play to its strengths. Grammar schools offer academic A-levels, while upper schools such as Cressex and Sir William Ramsay have introduced new vocational qualifications, intended to persuade less academically able 16-year-olds to stay in education. Upper school pupils are now more likely to take A-levels, as they can do so without the disruption of moving to a new school.

Third, co-operation has been encouraged below the sixth form, to give children who under-perform at 12 a second chance. Late developers can be transferred to the grammar school. Thus, many children who fail their 12-plus exam, win good A level grades in the grammar school.

Fourth, the authority administers the applications and entries for all schools in the area, even including the Royal Grammar which has opted out of the authority for financial reasons. This reduces wasteful competition for ther best pupils and makes forward planning easier.

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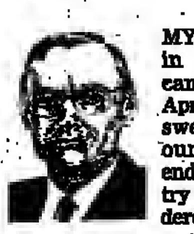
The Long View / **Barry Riley**

Victims of the glut



MY VERY first lesson in applied economics came on the day in April 1949 that post-war sweets rationing of 4 ounces a week was ended. Alas, the Ministry of Food had blundered: demand exceeded supply and rationing had to be re-imposed until 1953.

Scarcity, in the experience of the generation in Britain with which I grew up, was part of the natural order of things. There were waiting lists for many goods, and rationing was imposed not just by the need for coupons but through restrictions on capital flows and property development (which persisted for decades after the Conservative government's "bonfire of controls" in 1951). We had a final taste of shortages in the 1970s with the oil shocks and various other commodity crises, including the bizarre sugar famine of 1974.

Now, we one-time ration book kids must cope with the economics of glut. There is serious over-capacity in most of the western world's manufacturing industry; meanwhile, in the commodity markets this week, oil slipped to little more than $16 a barrel and aluminium crashed towards the "disaster level" of 45c a pound. As for the other factors of production, the number of unemployed people in the European Community is rising towards 20m and surplus capital is sloshing around the globe, depressing real interest rates and threatening to generate destabilising asset price bubbles.

Some of those post-war scarcities were fundamental, being caused largely by the destruction of much of the capital stock of Europe. Rationing and central planning were natural consequences and, because of the absence of of effective competition, the returns on capital often were very high. It was natural for investors to put their money into the famous names of British manufacturing industry, including high-tech wonders like Ferranti (which last Tuesday, announced its willingness to be taken over for 1p a share). Other shortages have resulted more from policy than from the fundamentals and so have persisted longer.

The property market in the UK, for instance, did not finally reach its confrontation with the age of glut until the end of the 1980s. But now, it seems, even Somerset beauty spots are being opened up by planners to Sainsbury's bulldozers. True, some of the old property market distortions persist, notably through upwards-only leases, and the remaining backlog of superstore permits means that the leaders in the food retailing industry are still enjoying an artificial enhancement of margins through restriction of competition (although these surplus profits will now crumble fast).

European airlines – the flag carriers, at least – have held out the longest against liberalisation, and have been able to exploit their right to carve up the profitable international routes between them. But Air France is at last approaching its moment of truth, however unwillingly.

It is ironic that the airlines should be among the last to accept open borders. Elsewhere, the globalisation of world trade has become a dominant factor in generating production surpluses. A huge and cheap supply of most manufactured goods (but not of services, with the important exception of travel and tourism) has overwhelmed the economies of countries that allow them in.

You can see this in the changing shape of the stock market. In the UK, for instance, manufacturing of tradeable goods now probably accounts for only about a fifth of the value of the market as a whole. Returns in the heavy manufacturing sectors in Europe have been forced down by the influence of state subsidies, and levels of profitability in basic industries such as steel, chemicals or cars are grim.

Many of the traditional defences of manufacturers – such as control of distribution, or the exploitation of technological superiority – are no longer effective. Vast increases in productivity have benefited not the manufacturer or the employees, as once they mainly would have done, but the customer.

In recent years, too, a crisis has developed for the brand, the standard means of adding perceived value to a consumer product. Too many brands have allowed their pricing premiums to drift up in a period when the wider diffusion of skills in production technology has actually been undermining the advantages of market leaders.

In any case, some of today's big retailers have stronger brands than many of the big consumer goods manufacturers. Who has the more powerful brand: a retailer like Sainsbury or a food manufacturer like Brooke Bond or Tate & Lyle?

In the stock market, value has shifted to those sectors where there is seen to be protection against the gluts apparent elsewhere. There is obvious appeal in regulated utilities which, through privatisation, have come from nowhere to nearly 14 per cent of aggregate capitalisation inside 10 years; and in drugs, which are defended by patents and the still crucial role of technological skills. The same used to be true of defence, but the great cost-plus days of this once-sheltered industry are well past.

Out there in the exposed sectors, the awful word "commoditisation" has been coined to represent the downgrading of premium products into mere standard items, the price of which is set by increasingly fearsome competition between efficient factories. In these circumstances, the profits in the economy tend to percolate down towards niche providers of specialist goods and services. Hence the higher activity in the stock market in the smaller companies sector, where there may be some shelter from the intense pressure of global competition, but where decent growth in the domestic economy is essential.

Adjusting to the economics of glut can be tough indeed. Back in 1949, the Riley family used to listen to the Home Service and the Light Programme on a Ferranti wireless set. It seems a long, long time ago.

MARKETS

London

Unexpected recruits to penny shares

By Peter Martin, financial editor

THOUSANDS more people joined the ranks of investors in penny shares this week – but only one of them was a volunteer. The enthusiastic convert was Lord Weinstock, who had GEC group was revealed as a potential purchaser of Ferranti at a price of 1p a share. The unwilling penny-share investors were Ferranti's existing shareholders, who had thought until now that their company as worth more like 10p a share.

Indeed, in 1987 they believed Ferranti to be worth 140p a share. That was before Ferranti bought the US company International Signal and Control, and discovered it to be constructed around an elaborate fraud, blowing a whole in the parent company's balance sheet from which it was never able to recover.

Eugene Anderson, the company doctor brought in to rescue Ferranti from its ISC problems, said this week that the company had also suffered from the decline in the defence business, and from poor management in the past. "But I'm not blaming anybody. I've been here for three and a half years and we should have turned it around."

In retrospect, it is possible to draw two lessons from the Ferranti story. The first is that *all* deals made amid the heady atmosphere of 1987 and 1988 must be viewed with scepticism, because so many of them have since come unstuck.

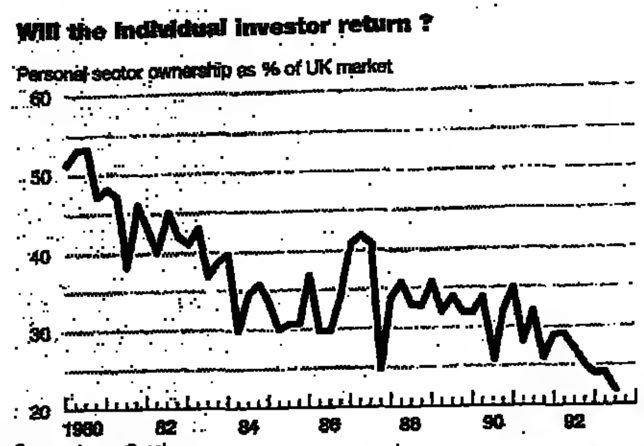
Second, the inability of Ferranti's core businesses to survive the financial damage inflicted by the ISC acquisition shows that the decision to diversify was based on a correct assessment of the company's vulnerability. But as shareholders will be all too painfully aware, getting your strategic analysis right is not much use if the steps taken to implement it are flawed.

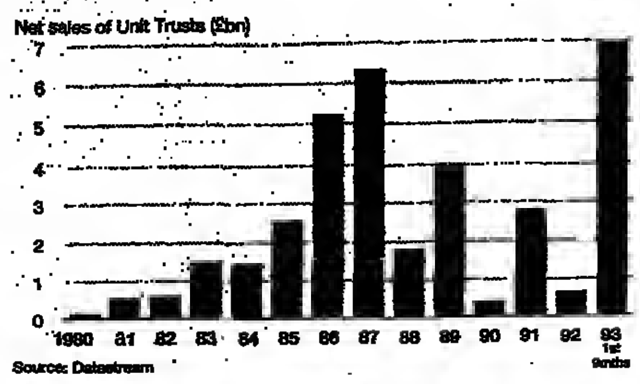
There was one other relic of 1987 around this week, illustrated in the bottom chart. Figures published on Tuesday revealed that in the first nine months of this year, more money flowed into unit trusts than in the whole of 1987, the previous record year. Yet the long-term trend of individuals' ownership of the stock market, shown in the top chart, has been steadily downwards over the past decade. Rising unit trust sales do not contradict that trend, which partly reflects an increasing preference for collective rather than individual ownership. But the conjunction of the two charts does raise the question of whether the growing appetite for equities will in time lead to a revival of interest in individual ownership.

That partly depends on how long the current rally lasts. And on that subject, after the gloomy tone of some recent columns readers might appreciate a bit of no-holds-barred bullishness. It comes by courtesy of James Capel, the stockbroker, whose analysts spent Wednesday telling clients their optimistic views on the future for UK equities.

The specifics of this forecast are obviously those of the broker concerned. The broad argument, though, is one shared by a wider selection of investors and analysts.

Capel is expecting steady growth for the UK economy, continued low inflation, falling short-term interest rates, and satisfactory inroads into the government deficit. A sharp rise in corporate earnings would allow continued progress in share prices, taking the FT-SE 100 index possibly as high as 4,000 – although Capel was keen to point out that this was not an official forecast.





For Paul Walton, the broker's UK strategist, much of bullish phase of the equity cycle *still lies ahead. There is* still another 1¼ points to come off base rates, taking them down to 4¾ per cent in the first part of 1994. Longer-term interest rates will stabilise around 6½ per cent, a level not seen on a *sustained basis since the* 1960s.

The economic recovery is healthy, says Capel, with 3 per cent gdp growth forecast for next year. Companies will take a rising share of the economic pie. Earnings per share are set to rebound sharply, as companies start outperforming analysts' estimates for the first time since the recession started. Annual dividend growth returns to 6-7 per cent.

Such encouraging fundamentals mean that the market is not over-valued at current levels, says Walton. He estimates that the market as a whole is selling at 14 times 1994 earnings, compared with a target range of 16-18. It is selling at a 1994 dividend yield of 4.3 per cent, compared with Walton's target of 3.5 per cent. That gives scope for share prices to move up by another 25-30 per cent.

What are the risks in such a scenario? Apart from the dangers that Capel itself mentions – political uncertainty or a slide in sterling – they can best be summed up as how to get there from here.

If there is one thing the British economy has been famously bad at doing, it is settling into sustained non-inflationary growth. If, this time, that's what we get, the equity market will be entitled to rejoice on the *scale these forecasts suggest.* But there are an awful lot of potential pitfalls on the way, starting with the Budget at the end of November. And – if the CBI survey published on Tuesday is any guide – company bosses are not yet ready to be as optimistic as stockbrokers. Business confidence rose for the fourth quarter in a row, but the increase was slight. Only one per cent of companies were more optimistic about the general business situation than three months before.

No such pessimism was in evidence among the enthusiasts for emerging stock markets. Any worries that the fad might be going too far were dispelled by an announcement from the First Philippine Investment Trust: Norman Lamont is to join its board. So that's all right, then.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3171.0	-28.0	3199.0	2737.6	CBI survey dents confidence
Cable & Wireless	501	+26	502	334½	Ahead of share split
Courtaulds Textiles	570	+25	601	522	Demand amid stock shortage
Eurocamp	230	+33	350	175	Directors' share buying
Euro Disney	573	-35	1180	550	BA cuts back holidays
Ferranti Intl	1½	-7¾	18	1¼	Bid by GEC
Glaxo	662½	-33	801	509	Clinton healthcare proposals
Guinness	435	+14	521	388	Lehmans/Goldman Sachs positive
Manganese Bronze	115	+18	119	71	Return to profits
Pittencrieff	405	+33	406	263	Telecommunications interests
Rank Organisation	841	+21	853	636	Trading statement
Sainsbury (J)	395½	-23½	584	395	Price war fears
SmithKl Beecham A	420	-28	513	389	Clinton healthcare proposals
Thorn EMI	951	+31	1017	809	Smith New Court/BZW positive
Wellcome	690	-155½	993	600	Disappointment at results

Serious Money

Tax-free schemes that beg for reform

By Philip Coggan, personal finance editor

THE chancellor of the exchequer is unlikely to listen to my advice but I am going to give it to him, anyway. Please, Kenneth Clarke, when you deliver your Budget speech on November 30, can you reform *all* the tax-free schemes – Peps and Tessas, mortgage interest relief and the rest?

Before you protest, it is not that I want your voters (or *FT* readers) to pay more taxes. I just believe that a simple tax regime is a good tax regime. You will still take the same amount of tax from us, but in a way that is more straightforward and creates less work for lawyers and accountants.

The present system is pretty generous. One executive confessed to me this week that he had already stashed away £75,000 in tax-free form this year, what with £40,000 in the BES, £15,000 in Peps for *himself and his wife, £3,600 in* Tessas and the rest in pension contributions.

Good luck to him. If the government wants to hand out these goodies, Britons are perfectly entitled to take advantage of them. *Indeed, part of* the purpose of the Finance & the Family pages is to point readers in these directions.

But does it really make macro-economic sense for you to be searching for ways to *squeeze us for tax revenues*, such as April's 1 per cent rise in national insurance contributions, while simultaneously promoting these tax loopholes?

Conservatives used to argue that the high rates of tax imposed by Labour governments distorted the economy. Do not some tax reliefs have the same effect? Take the business expansion scheme which your predecessor, Norman Lamont, had the good sense to abolish from the end of 1993. It sounded a great idea when it was established. Britain needs young, growing businesses; but such businesses have difficulty attracting finance, so why not give investors tax relief to buy shares in them?

The problem is that a large number of young, growing businesses tend to go bust. Investors found that saving 60 per cent (the old top rate) in tax was little comfort when they lost 100 per cent of their investments. The only people who seemed to prosper from these schemes were the sponsors, who had the good sense to take their fees up-front.

Late in the 1980s, the BES was turned on its head. Suddenly, the scheme was a vehicle for creating private rented accommodation. Again, this is a perfectly laudable aim since Britain has a shortage of *affordable* rented property. In practice, though, the principal beneficiaries seem to have been Oxbridge colleges.

The distorting effect of mortgage interest relief has been whittled away by restricting *relief* to the 25 per cent (and, soon, the 20 per cent) rate of tax. I know the housing market is weak now but mortgage rates are very low; many people will have benefited from big falls in interest payments. Why not announce that the relief will be phased out over five years, by successive cuts of £6,000 a year? That way, the pain in any individual year would not be great.

What about Peps? They are proving amazingly popular, so they might seem to be one scheme which the government has got right. Certainly, the present regulations are an enormous improvement on the original Pep which was small, costly to operate and, inappropriately, encouraged small investors to have a portfolio of just one or two equities.

Now, most Pep money goes into unit and investment trusts, which give small investors a properly diverse portfolio. And there is everything to be said for encouraging investors to break away from their dependence on building societies and move into equities. But what worries me about Peps is the trouble they may be creating for the future tax base.

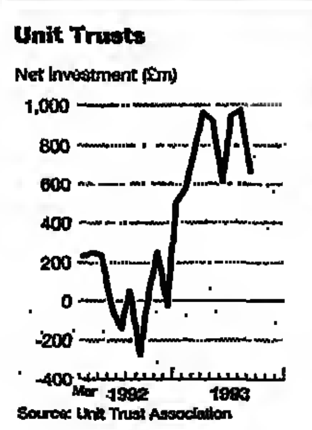
A married couple could already have £100,000 in a Pep if they had used the maximum allowances each year. In another five years, if you allow for further contributions and a bit of growth, their portfolio could easily grow to £250,000. Even if they stopped there, and just let the portfolio grow at 8 per cent a year, they could have a tax-free portfolio of £500,000 by 2007. Thus, in the foreseeable future, some very wealthy people could have virtually escaped the tax net altogether. You, or your successor but five, will have to load the rest of us with even more taxes to compensate.

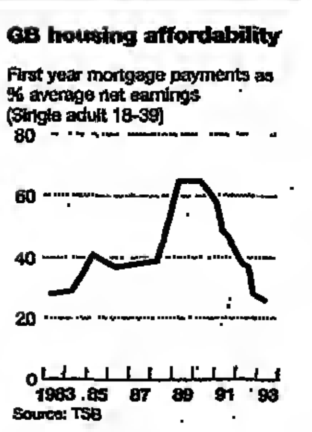
Meanwhile, we have the Tessa, a wishy-washy tax break; neither big nor flexible enough to change the nation's savings habits. So why not combine Tessas and Peps into a savings allowance, giving people the right to earn a certain amount of tax-free income from their investments each year, which they would declare on their tax form? This would be fair; after all, most people's savings come from money that has already taxed. It could be limited to a level that would *not be too expensive* on the nation's coffers, nor be too generous a shelter for the very wealthy; and it would abolish the need for special schemes.

Tax relief on pensions has to stay, I suppose, on the ground that the more you encourage people to save for their old age now, the less the state will have to provide for them. It could be trimmed back a bit (by, say, restricting up-front relief to 20 per cent).

For the rest, though, cut out the gimmicks; let us have as simple a tax regime as possible. Allow people to invest in an atmosphere free of confusing initials and regulations.

AT A GLANCE





Unit trust sales for this year outstrip '87 record

Unit trust sales for the first nine months of 1993 have now outstripped the figures for the whole of 1987, the previous record year. Although net sales in September at £669m were down on the £900m plus figures recorded in July and August, they still pushed the total for the year £6.91bn, according to the Association of Unit Trust and Investment Funds.

Housing now 'more affordable'

British housing is more affordable than it has been for a decade, according to a report by TSB this week. The Affordability Index calculates the proportion of the take-home pay of a first time buyer which is needed to service the mortgage on the average first-time home. As tha graph shows, that proportion has fallen to 26 per cent, compared with 65 per cent in 1989 and 1990 (when interest rates were at their peak). One needs to go back to 1983 to find a time when the ratio was as low.

Free life cover offer

The Cheltenham & Gloucester Building Society is launching a repayment mortgage which includes free life cover and has a variable rate of 7.99 per cent. The Freelife Mortgage will not be available to everyone. Applicants must answer questions about their health and those excluded will include those with a heart condition, who have tested positive for HIV, and who have had treatment for some other problems (such as a stroke) over the past 12 months. Those who have been refused life cover before will also be excluded. Freelife is available on mortgages of up to £250,000. Borrowers will need a deposit of 10 per cent.

Henderson cuts charges

Henderson Unit Trust Management is offering a 1 per cent discount on its four European unit trusts during November. The normal initial charge is 5.25 per cent. The group is specifically recommending its European Special Situations trust, managed by Stephen Peak, which is seventh in its sector (out of 93 funds) over the five years to October 1.

Two more equity bonds launched

Two more guaranteed equity bonds have been launched. Bristol & West's fourth issue allows investors to put up to 50 per cent of their money in a one-year interest paying account paying 7.5 per cent gross. The rest goes into a bond which will match the capital performance of the FT-SE 100 index over five years, with guaranteed return of capital. Scottish Amicable's fourth issue gives investors the benefit of reinvested dividend income on top of the FT-SE 100's rise.

Smaller companies

Small company shares edged further ahead this week. The Hoare Govett Smaller Companies Index (capital gains version) rose 0.1 per cent from 1611.95 to 1614.16 over the seven days to October 26.

Wall Street

Hungry investors tuck in to tasty stocks

TAKE plenty of low inflation and low interest rates, and add a healthy portion of low-to-moderate economic growth. Sprinkle with strong bond prices and improving corporate earnings, and yon have the perfect recipe for a tasty stock market boom.

All of the above ingredients were available this week, and the mix proved a satisfying meal for hungry US investors, who propelled stocks to another round of record-setting gains on Wall Street.

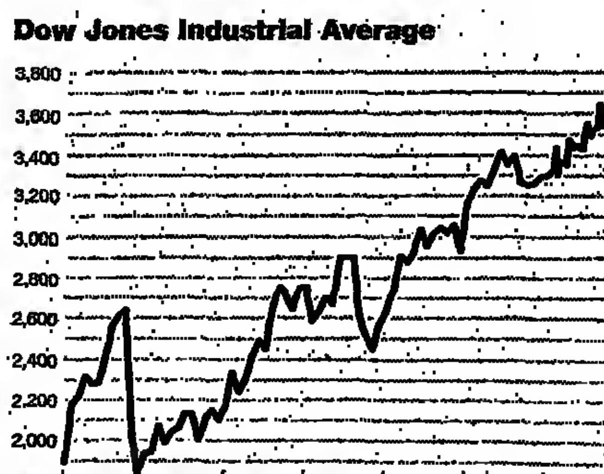
A week ago it was the secondary market indices – the *Standard & Poor's 500*, the Nasdaq Composite and the American Stock Exchange Composite – reaching new highs. This week it was the turn of blue-chip and cyclical stocks to break into previously unaxplored territory, as the Dow Jones industrial average advanced to a record close of 3,687.86 on Thursday.

The key to much of the gains was the third quarter gross domestic prodnct report. *Expecting* a 2.7 per cent increase in GDP, analysts were pleased to see that growth was slightly stronger at 2.8 per cent. Yet two other elements of the quarterly data that were particularly encouraging.

First, statisticians pointed out that but for the impact of the crop losses incurred during the summer's devastating floods in the Midwest, the economy would have grown by an even healthier 3.4 per cent between July and September. Second, the cost of gross domestic purchase, an important measure of inflation, rose by only 1.8 per cent in the third quarter, down from the 2.9 per cent rate of growth reported in the previous three months and the lowest rate since 1986.

The news of moderate growth coupled with low inflation was exactly what the equity markets needed. Although many share indices have been trading at or near record highs, there has been a feeling among many analysts that investors were growing cautious about stocks.

This assessment was based on the fact that recent demand for equities has heen very *patchy. Since* mtd-summer, analysts helleve investors have been "rotating" tbeir portfolios, rapidly shifting



funds from sector to sector in search of valne. Just this month, for example, investors were initially keen on semicondnctor stocks in expectation of a revival in the industry's fortunes. Then, they moved on to financials in the wake of furtber declines in interest rates, before news of a hank prime rate cnt forced them to switch back into cyclicals. Later it was the turn of airline stocks to benefit, as investors kept searching for the next updraft.

On Thursday this approach was abandoned as investors moved into equities on a hroad front, spurred by a rare combination of optimistic economic data and positive earnings from some big corporations.

There was more to the markets' gains than that, however. Almost half of the Dow's 23-point advance on Thursday was attributable to one stock – Eastman Kodak. Late on Wednesday, Kodak stunned Wall Street by announcing that George Fisher, highly-regarded chairman of Motorola, was joining the company as its chief executive.

So enthused were investors by Fisher's track-record that they stampeded to huy Kodak stock in the hope that be would be able to engineer a rapid turnaround in the faltering company's fortunes. By tbe close of trading Kodak shares were up almost $6 at $63⅜, althongh tbe bulk of those gains were achieved in after-hours trading.

Fisher now has the difficult task of living up to the expectations of investors who bought Kodak shares and analysts who hailed his *appointment* as, in the words of one stockwatcher, "beyond the dreams of avarice."

Kodak's coup partly overshadowed what was another good week for corporate America. Although the week *had* its share of laggards – Minnesota Mining & Manufacturing, Phillips Petroleum and RJR Nabisco reported weaker profits – the balance of earnings data was again bullish. Among those announcing either narrower losses or stronger profits were IBM, General Motors, Ford, US Steel, Bethlehem Steel, Delta and United Airlines.

With the bulk of the latest reporting season now out of the way, It is clear that corporate *profitahility is firmly* established on an npward path. One compilation of third quarter results published this week showed that 60 per cent of companies which have reported earnings for the latest period either matched, or exceeded, analysts' forecasts.

The next quarter should see this trend maintained, especially if economic growth continues to pick up. After Thursday's GDP report, economists *upgraded* forecasts for fourth qnarter growth from 3 per cent to nearer 3.5 and 4 per cent.

Patrick Harverson

Monday	3673.61	+ 24.31
Tuesday	3672.49	– 01.12
Wednesday	3664.66	– 07.83
Thursday	3687.86	+ 23.20
Friday		

The Bottom Line

Wellcome gears up for war

EVEN FOR hardened *observers* of the *stock* market, the behaviour of the Wellcome share price in the past couple of days has been slightly odd.

On Thursday morning, tha company, one of Britain's leading *drug manufacturers*, announced an almost two-thirds rise in earnings and a one-third increase in the dividend. The shares fell 11 per cent on the day and another 3 per cent yesterday. This puts them on a historic multiple of 14, compared with a UK market average of 23.

The market had its reasons, though. Before the results, Wellcome had risen 30 per cent since mid-August. This was part of a general re-rating of drug stocks which had been walloped since the start of last year as investors realised that, in the penny-pinching 1990s, governments finally were serious about controlling their health bills.

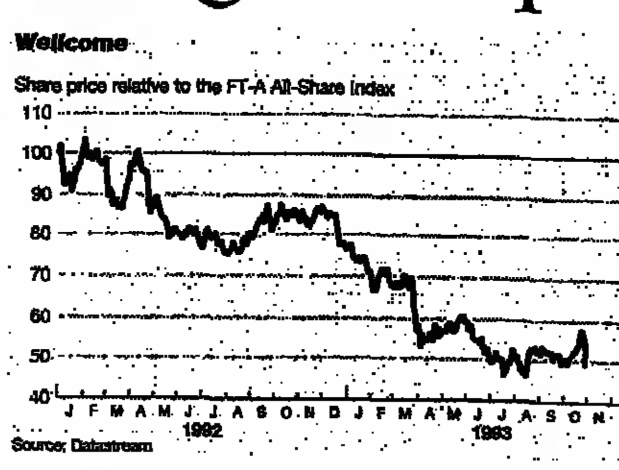
The reason for the re-rating was simple enough. Falling interest rates have caused a stampede into equities around the world.

As a result, many stocks and *sectors have started* to look worryingly expensive. In a rising market, this causes the phenomenon known in the trade as rotation, whereby any sector that seems to have been left behind goes through a catch-up phase.

The snag about Thursday's figures was that they reminded the market of what it had been worried about in the first place. Although Wellcome's earnings, margins and cash were still rising sharply, sales growth was slowing.

This was particularly true of the second half of the year. After stripping out the effects of sterling's devaluation, sales in the first half were up 11 per cent – but by only 3 per cent in the second.

Worse, the effect was marked strongly in the two drugs on which Wellcome relies most heavily for its profits. Its best-known drug, the AIDS treatment AZT (or Retrovir), showed sales growth – again, at constant exchange rates – of only 3 per cent in the year compared with 22 per cent the year before.



More worrying in fundamental terms, the berpes treatment Zovirax, whicb analysts reckon could account for half Wellcome's profits, grew by only 11 per cent on the same basis compared with 24 per cent the year before.

The slow-down in Zovirax, especially, reminded the market of a more fundamantal question: bow good is Wellcome at operating in competitive markets?

Until now, Zovirax has been the only treatment available for herpes or shingles. Next year, SmithKline Beecham is *bringing* in a rival. The chances are that it will pitch its price much lower.

If so, Wellcome must follow suit. John Robb, the chief executive, put the point bluntly on Thursday. "SmithKline has cornered a healthy slice of the anti-depressant market on price already," he said.

"We're not going to see our herpes market go out the window on price. Wellcome has to take on board a *more* aggressive marketing strategy."

With luck, lower prices can be offset by higher volume. But it is hard to see this being true for the industry as a whole. And the slowdown in the industry's *sales* cannot be matched by rednctions in *spending* on marketing or research. Indeed, Wellcome's R & D costs rose faster than sales last year.

As Robb put it on Thursday: "The two principal areas for the long-tarm bealth of the company are R & D and marketing. We've tried to protect spending in those two areas."

R&D consumed 16 per cent of Wellcome's revenues last year, and marketing probably at least as much again. It is *easy* to see why the market is worried about price wars.

In one sense, Wellcome could ask what on earth the fuss is about. The company is justly proud of having pushed operat*ing margins* from 21 per cent in 1990 to 31 per cent three years later, and in pushing its net cash from £17m to £567m in the same period. It is this hard-won financial strength, says Mr Robb, that gives it the muscle to act tough on prices.

But this is an industry of giants, many of which also have fat margins and big cash mountains. If there is to be a war of attrition, it could prove a long one.

Tony Jackson

هكذا منذ الأصل

What Clarke's Budget could hold for Britain

WHATEVER its content, the November 30 Budget will be radically different in form from those before it. Kenneth Clarke, the chancellor, will deal with both the revenue-raising and the spending elements of the government's finances - making it a "Budget" in the true sense of the word.

While this change seems sensible, it does mean the Budget will be even less digestible than usual. Furthermore, the chancellor must walk a fine line; taking action to control the government deficit without endangering the recovery.

The chancellor has already been committed to a number of measures by his predecessor, Norman Lamont. The most infamous of these is the imposition of VAT on domestic fuel, at 8 per cent in April 1994 and at 17.5 per cent a year later.

Also in April, mortgage interest relief will be limited to 20 per cent, as will tax relief on the married couple's allowance. Employees' national insurance contributions will rise by 1 per cent (effectively, an increase in income tax). One of the few pieces of good news is that the 20 per cent tax band will be increased from £2,500 to £3,000.

As is usual before a Budget, rumours of policy changes have abounded. Often these are kite-flying exercises; if the public reacts badly to a proposal, it can be dropped with no harm done.

■ Income tax

It is widely assumed that, after years of making a virtue out of tax-cutting, the Conservatives would not dare to increase either the basic or higher rates of tax. Nevertheless, there is still plenty of scope for bills to rise.

One easy option is to freeze personal tax allowances at their present levels, rather than increase them in line with inflation. Since inflation is only 1.8 per cent, such a move would hardly be noticed by most taxpayers - but would still raise £670m. A more radical option would be to restrict the tax relief on the personal allowance to 20 per cent.

This possibility is discussed at some length in the Green Budget book produced by the Institute of Fiscal Studies. Other reliefs are being limited to 20 per cent, so there is a precedent. In practice, the change would probably be achieved by taxing individuals on all their income and giving them back a tax credit of £689 (20 per cent of the personal allowance).

This would cost top-rate taxpayers a maximum of £689 a year, and a maximum of £172.25 for those on the basic rate. If Clarke did make such a change, he would raise £5.7bn, according to the IFS. Accordingly, he could afford to give back some of the money (and reduce the resulting outcry) by perhaps increasing the 20 per cent tax band to, say, £5,250. Such a move, the IFS points out, could be presented as a further step towards a basic rate of 20 per cent, a long term Conservative promise.

Price Waterhouse thinks the chancellor will be much gentler, increasing personal allowances and widening the 20 per cent tax band even further.

■ National insurance contributions.

The separate systems for national insurance and income tax are something of an anomaly. The ceiling for employees' NI contributions is £21,840; the starting level for higher-rate tax is £27,145. So, the marginal tax rate of those who earn just over £21,840 suddenly drops from 34 to 25 per cent - only to increase again to 40 per cent after £27,145. Accountant Chantrey Vellacott thinks the government could bring the NI ceiling and the start of the top-rate band in line. It also believes the chancellor could bring all fringe benefits within the NI net and impose a heavier NI burden on the self-employed.

■ Value-added tax

The furore over VAT on fuel could prompt Clarke to act. Some think he might impose the 17.5 per cent rate in one go (to get the fuss over with now); others, such as Price Waterhouse, that he might limit it to 8 per cent.

New products, such as books and newspapers, could be brought into the VAT net. A more daring suggestion from Price Waterhouse is a general increase in VAT, possibly to 20 per cent; the argument against this is the effect on inflation, which the government is attempting to keep within a 1-4 per cent band.

■ Inheritance tax

The 1980s' house price boom brought many Tory voters into the IHT net. Price Waterhouse suggests the government might abolish the tax completely while re-introducing some form of capital gains tax charge on assets held on death.

■ Tax allowances

Despite my suggestions in Serious Money on page II, the chancellor is unlikely to do anything as radical as combining Peps and Tessas. Indeed, Price Waterhouse thinks he could extend Peps to include gilts, perhaps renaming them Pips (personal income plans).

■ Pensions

The present system gives very generous treatment to pensions. Contributions are tax-deductible; the fund itself rolls up tax-free; and the pensioner can take a tax-free lump sum on retirement. The government's dilemma is that it wants to encourage private pension provision (and reduce the burden on the state). Accordingly, it might want to chip away at the tax privileges of pensions rather than make a frontal assault.

Chantrey Vellacott thinks the chancellor might tax the lump sum but phase in the change, so as not to be unfair to people about to retire. The accountant also thinks tax relief on pension contributions could be limited to the basic rate. More radically, it suggests higher-earning employees could be taxed on their *employer's* contributions to the pension fund.

■ Advance corporation tax

The last Budget's changes in ACT - cutting the tax credit from 25 to 20 per cent - managed to raise £1bn of revenue a year with little protest. Further cuts in the credit are possible. A more likely change is a crackdown on "enhanced scrip dividend" schemes, where companies arrange for those who take extra shares to sell them immediately for cash at little cost.

Philip Coggan

BES rush goes on

NEW business expansion schemes are still flooding in ahead of the December deadline, *writes Bethan Hutton.* Assured tenancy and arranged exit schemes continue to be popular with investors, but a number of trading companies are also taking their last chance to use the BES tax incentive to attract new money.

Cadogan, the publisher of travel and chess guides, is aiming to raise £750,000 through a BES offer. The company has 35 travel titles, and its chess authors include Garry Kasparov (who is also a director). Minimum investment is £1,050, or £525 for booksellers and newsagents.

The Hop Back Brewery is a profitable brewing and pub company, based in Salisbury. It aims to raise £750,000 to expand through an entrepreneurial BES issue, sponsored by Wise Speke. Minimum investment is £500.

Coventry-based Patrick Eggle Guitars produces 225 electric and acoustic instruments a month and is hoping to raise almost £500,000 to expand. Minimum subscription is £2,000.

New Netherhall Residences is the Netherhall Educational Association's second arranged exit scheme, guaranteed by the Midland Bank and sponsored by James Capel. It offers an exit price of £1.19 after five years, equivalent to an annual 13.84 per cent for higher-rate taxpayers. Minimum investment is £1,000; cheques can be post-dated to November 19.

Investment in Heritage is an assured tenancy BES, sponsored by Matrix Securities, which aims to raise £5m to buy, refurbish and let listed properties of small to medium size. Minimum investment is £2,000. There is no arranged exit, but the directors aim to provide a minimum return of £1.40 a share after five years.

Accumulus Froebel is a cash-backed, arranged exit scheme sponsored by Terrace Hill Capital. Froebel Educational Institute has several schools and colleges around London. The scheme is offering a return of £1.20 a share after five years, equivalent to 14.1 per cent for higher-rata taxpayers. Minimum investment is £2,000.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Allied London Prop	Prop	8,080,202	9,269	1
Alumasc	Misc	50,000	280	1
Barbour Index	BuSe	64,314	138	1
Billam (J)	Metl	32,950	99	1
Booker	FdMa	15,636	60	1*
Coats Viyella	Text	343,858	921	3*
Conrad Ritblat S G	Prop	750,000	345	1
Dalepak	FdMa	20,000	25	1
Essex Furniture	Stor	470,000	729	1
Fine Decor	Misc	123,044	330	8
Govett & Co	OthF	20,000	66	1*
Inchcape	BuSe	50,000	255	1*
Intl Food Machinery	BuSe	89,000	58	1
Ladbroke	H&L	18,750	32	1
Lamont	Text	50,000	200	1
Lloyd Thompson	InsB	340,000	952	1
Lucas	Motr	546,782	910	1*
Metalrax	EngG	200,000	239	1
Mirror Group	Med	18,666	31	1
Moorfield Estates	Prop	124,208	45	1
Pantheon Intl	InTr	25,386	20	1
Portals	Pack	82,130	409	1*
Prism Leisure Corp	H&L	421,000	547	1
Psion	Elns	200,000	277	1
Reed Intl	Med	30,000	225	1
Spendex	Misc	648,866	2,866	4
Wolstenholme Rink	Chem	5,100	26	2
PURCHASES				
Albert Fisher	FdRe	60,000	46	2
Barbour Index	BuSe	41,500	91	1
Dalepak	FdMa	20,000	25	4
El Oro Mining	n/a	3,508	21	2
Fairway Group	Misc	175,000	112	1
Forte	H&L	10,000	22	1
Moorfield Estates	Prop	54,054	20	1
Raine Industries	C&C	200,000	156	1
Vardon	H&L	43,000	42	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 18-22 October 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

METALRAX, the engineering group, is the ideal candidate for a bit of profit-taking and deputy chairman Douglas Hammond clearly feels the same way. He sold 150,000 shares at 120p leaving himself with 346,000.

When interim results were announced at the end of September, the chairman said the company looked forward to the coming year with greater confidence than had been felt for quite some time. Brokers are forecasting profits for the present year of £7.7m, rising to £8.2 in 1994.

□ Geoffrey Simon, chairman of Prism Leisure, has sold 421,000 shares et 130p. Business for this computer game wholesaler has been going well. The shares have outperformed the market by over 100 per cent in the past 12 months and the prospective p/e ratio for the year to March 1994 is 11.

□ P.N. Goldsmith, chief executive of Conrad Ritblat Sinclair Goldsmith, the quoted surveying group, has sold 150,000 shares at 46p. Surprisingly, with just under 2m remaining, Goldsmith is one of the smaller shareholders on the board. Ronald Sinclair sold 750,000 at 47.5p on September 13 so further selling would indicate a clear trend.

Colin Rogers, the Inside Track

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FINANCE AND THE FAMILY

Societies retain their urge to merge

THE abandonment of the planned merger between the Leeds Permanent and National & Provincial building societies will not necessarily affect the 1m people who borrow from or have an account with them, *writes Alison Smith*. Although the cancellation is sligbtly embarrassing, neither society needed to be rescued; thus, neither is left in severe difficulty.

The merger, combining the Leeds' £18bn in assets with the N&P's £12bn, would have created the UK's third-largest society, not far behind the Nationwide.

Much has been made of the societies' different styles, which stymied the merger. The Leeds is seen in the industry as being more traditional while N&P has adopted a more unconventional approacb based more on teamwork and emphasising a focus on the customer rather than on the product.

John Wriglesworth, building societies analyst at UBS, says thet although the two approaches are strikingly different, both have worked for their respective societies. He said both remain "very strong" and could prosper alone.

The Leeds bas made clear that it is still looking for a potential partner. And while David O'Brien, the chief executive of the N&P, talks of its strategy of "organic growth," it also would be ready for discussions if there were a "meeting of minds" with another society.

Bank warns on deposits

THE BANK of England is issuing a leaflet to warn people abont the dangers of putting money Into Institutions which are not anthorised by it to accept deposits.

Called "Money in the Bank," *it sets out some signs that* should pnt people on their guard – such as an offer of unusually higb interest rates or an effort to attract them into making loans to someone's companies.

It also spells ont the difference between a deposit, where someone has lent money and is entitled to have it back in full, and an investment, where there is no promise to return tbe money but the lender is entitled to a share of profits made.

The Bank ia at pains to emphasise tbe lack of protection for someone who has lost money witb an unanthorised deposit-taker, and also the *scale of the problem.*

In the cases being investigated by the Bank, np to £50m could have been taken in illegal deposits.

"All too often, the losers are elderly and those least able to afford to take the loss," Bank officials say. They recall cases of pensioners who had to return to work after losing money to unauthorised deposit-takers.

Investigations have led Bank officials to carry ont interviews in such unlikely places as London's Wormwood Scrubs prison, a brothel in Toxteth, Liverpool, and the back seat of a two-door Ford *Fiesta.*

Over the past year, they have brought three prosecntions for taking unauthorised deposits, all successful and all resnlting in custodial sentences.

Just under 500,000 leaflets are being printed and will be available from post offices, Citizens' Advice Bureaux and libraries.

Alison Smith

Boost for co-habitees

A RECENT decision by the law lords in a repossession case could have given rights to those who co-habit, as well as to married couples, according to some lawyers.

Bridget O'Brlen had been misled by her husband into signing a surety which she belleved guaranteed a short-term loan of £60,000 secured on the couple's house. In fact, it covered her husband's business debts of £135,000, which rolled up to £154,000. Barclays bank had not explained to her what she was signing. She paid back the £60,000 she thought she had guaranteed, but the bank sued for repossession to recover the rest.

In deciding that Barclays was not entitled to take the house, the law lords said the fact that the O'Briens were married gave the bank constructive notice of a potential for emotional pressure, and possibly undue influence, being used by one partner on the other. Because the bank knew it was dealing with a married couple, it should have asked questions, such as whether Mrs O'Brien understood the transaction.

The law lords made clear that the same principles would apply to other cases where there was an emotional relationship between people living together, saying "the tenderness shown to married women is not based on the marriage ceremony but reflects the underlying risk of one co-habitee exploiting tbe emotional involvement and trust of the other."

They added that since unmarried co-habitation and less conventional couples now were widespread, the law should recognise the fact.

"This could make lenders a lot more nosy in order to preserve their position," said Pauline Walker, a solicitor specialising in family law with Manches & Co.

"If two people are living together, the bank is immediately on a sort of notice to ask questions." She noted, however, that the decision applied only to people guaranteeing loans from which they did not benefit.

Walker added: "One of the most interesting things about the [O'Brien] judgment is the law lords going so far as to say they were accepting social change. The law always has done, of course, hut judges have never argued it so publicly before."

Barclays said this week it had tightened its procedures on guarantees already in line with the Banking Code introduced last year, but did not feel the judgment put any onus on it to discover additional personal details about cohabiting couples. A spokeswoman pointed out that the bank had won a Crystal Mark for the clarity of its guarantees.

Barbara Ellis

The Week Ahead

This week sees several of the UK's largest retailers reporting interim results. The UK's two most profitable retailers, Marks and Spencer and J Sainsbnry, report on Wednesday, and both are expected to show a bealthy increase in pre-tax profits. M and S is forecast to lift pre-tax profits from £257.1m last year to between £285m and £295m this year. Sainsbury is expected to see interim pre-tax profits up from £391.1m to £435m. But analysts are more interested in what the company migbt say about the changing UK food market.

On Thursday it is the turn of Boots, whicb is likely to report increased interim pre-tax profits from £185m last time to about £210m, after exceptional items relating to the sale of the French subsidiary Sephora and tbe withdrawal of the Manoplax beart drug by Boots Pharmaceuticals.

BAT Industries, tbe tobacco and financial services group, is expected on Wednesday to report an increase of about 25 per cent in pre-tax profits for the first nine months of the year. Forecasts range from £1.31bn to £1.38bn. Tobacco earnings will again feel the effects of the US cigarette price war but the group should benefit from more favourable exchange rates. Analysts expect further progress from Eagle Star, the general insurance subsidiary, despite continuing losses on mortgage insurance. Growth may be slower at Farmers Group, the US subsidiary.

Britisb Petroleum, reporting third quarter results on Thursday, bas enjoyed a marked upgrading of its fortunes in recent weeks. Although oil prices have fallen petroleum revenue tax has been cut to 50 per cent from 75 per cent and downstream operations have turned in stronger performances. Profits of at least £175m (£117m) are expected net of stock gains of £100m.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
AB Consulting	51½	51	40	5.43	WSP
Bennett & Fountain	2*	2¾	4	2.10	Marlowe
British Syphon	97	85	95	32.80	Graystone
Ferranti Int'l	1*	2¾		110.00	GEC
P-E Intl. ‡	72	73	65	15.75	Cray Elect
Practical Inv Co.	170.3 †	156	147½	58.00 §	Lon St Lawrence
Whitbread Inv Co	749	748	690	472.62	Whitbread

*All cash offer. ††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 29/10/93. §§Shares and cash. †Value of bid based on remaining 20% of shares. ¶Value of bid based on remaining 25% of shares. ‡ Net asset Value.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bridport-Gundry	Eng	Jul	162	(589)	0.84	(4.59)	2.5	(4.1)
Bullers	Misc	Jun	1,420 L	(8,220 L)	-	(-)	-	(-)
Govett Strategic Inv	InTr	Sept	298.07	(201.03)	7.16	(7.36)	6.75	(6.75)
Graystone	Elec	Jun	200	(736 L)	0.57	(-)	-	(-)
Honeysuckle Group	Text	May	782	(720)	6.9	(6.3)	2.25	(1.0)
IAWS	FdMa	Jul♦	10,100	(7,850)	7.7	(6.52)	2.1	(2.0)
London & Strathclyde	InTr	Aug†	268.5	(191.7)	5.58	(5.74)	5.75	(5.75)
Majedie	InTr	Sept†	221.0	(169.0)	5.35	(5.03)	5.0	(4.75)
Manganese Bronze	M&MF	Jul	1,530	(2,500)	6.04	(-)	2.5	(1.0)
Murray Split Cap Tst	InTr	Aug†‡	214.9	(98.4)	10.29	(12.83)	10.6	(11.8)
Pressac	Elec	Jul	1,950	(1,840)	4.86	(4.7)	2.57	(2.4)
River & Merc Ext Inc	InTr	Sept†	123.79	(81.07)	9.3	(7.07)	7.875	(7.875)
Sunset & Vine	Med	Jun	505	(887)	6.1	(8.8)	3.5	(3.5)
Usborne	FdMa	Jun	1,600¶	(4,120 L)	2.19	(-)	0.8¶	(0.4)
Wellcome	H&H	Jun	667,000	(457,000)	46.4	(30.1)	17.3	(13.0)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
AAF Industries	OIFn	Jun	10,980 L	(2,260)	-	(-)
Aberdeen Steak Houses	H&L	Jun	197 L	(381 L)	-	(-)
Automotive Products	N/A	Jun	5,700	(8,700)	-	(-)
BET	BsSr	Sep	47,000	(36,000)	1.0	(1.5)
Bertam Holdings	Plnt	Jun	284	(354)	-	(-)
Betterware	Strs	Sep§	7,600	(6,300)	0.65	(0.5)
Blacks Leisure	Strs	Aug	638	(8,200 L)	0.75	(0.75)
BMSS	BdMa	Jul	207	(16 L)	1.5	(-)
Bradford Property	Prop	Oct	17,500	(11,600)	2.9	(2.4)
Bridgend Group	BsSr	Jun	25	(295)	0.1	(0.2)
Bristol Scotts	H&L	Jun	116 L	(500 L)	-	(-)
Bruntcliffe Aggregates	OIn	Jun	132	(-)	-	(-)
Caird Group	Chem	Jun	25,100 L	(3,150)	-	(1.33)
Country Casuals	Strs	Jul	117	(405)	1.41	(1.88)
Danka Business Systems	Misc	Sep	13,300	(6,970)	0.75	(0.375)
Darby Group	BdMa	Aug	379	(471 L)	0.5	(-)
Delaney Group	Misc	Jun	187 L	(487 L)	-	(-)
Development Securities	Prop	Jun	2,600 L	(12,300 L)	-	(-)
EFG	Misc	Aug	804	(1,190 L)	-	(-)
Fitzwilton	FdRe	Jun♦	1,670	(298)	1.5	(1.5)
Fleming Contl Euro Inv	InTr	Sep	321.8†	(270.4)	-	(-)
GBE International	M&MF	Jun	1,080	(803)	-	(-)
Gerrard & National	OtFn	Oct	10,400	(14,400)	6.0	(6.0)
Glenchewton	Misc	Jun	463 L	(242 L)	-	(-)
Gresham House	InTr	Jun§§	1,170	(1,500 L)	-	(-)
Guardian Group	C&C	Jun Φ	420 L	(-)	-	(-)
Hewtal Whiting	Misc	Jun	402	(1,380)	-	(-)
ICI	Chem	♠	73,000	(22,000)	-	(-)
Le Creuset	Misc	Jun	1,160	(1,150)	-	(-)
Mezzanine Cap & Inc	InTr	Sept†	273.4	(255.3)	5.5	(5.0)
Moss Bros	Strs	Jul	625	(324)	1.5	(1.5)
Ocean Wilsons	Trns	Jun	3,240	(3,400)	1.0	(1.0)
Olives Property	Prop	Jun	720	(142)	-	(1.5)
Ramco Oil Services	O&G	Jun	297	(250)	-	(-)
Regal Hotels	H&L	Jul	403 L	(663 L)	-	(-)
Regent Corporation	B&D	Sep	32	(110 L)	-	(-)
Rowe Evans	Plnt	Jun	1,370	(926)	-	(-)
Scottish Mortgage	InTr	Sept†	246.1	(220.3)	1.35	(1.35)
Sec Trust of Scotland	InTr	Sept†	89.2	(84.5)	1.08	(1.08)
Shiloh	Text	Oct	490	(201)	1.0	(0.875)
Thames Water	Wtr	Sep	112,000	(124,000)	7.4	(6.9)
Toye & Co	Misc	Jun	247 L	(891 L)	-	(-)
Value & Income Trust	InTr	Sept†	101.1	(74.7)	2.0	(1.8)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ♦ Figures in Irish pounds & pence. § Figures for 28 weeks. ¶ Figures for 18 months. §§ Net revenue. Φ Figures for 7 months. ‡ Comparative figures are for 65 weeks. ¶ Figure for 18 months. ♠ Third quarter figures.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Abacus is to raise £15m via a placing.
Alders is to raise £98.3m via an issue of 50.7m shares.
Badgerline Group is to raise £36m via a placing and offer.
Cleveland Trust is to raise £9.6m via an issue of 10m shares at 100p.
Crest Packaging is to raise £12.2m via a placing of 10.6m shares at 135p.
Dellan Lloyds Inv Trust is to raise £50m via a placing.
Hozelock is to raise £18m via a placing and offer.
Lilliput Group is to raise £20m via a flotation.
Lloyds Investment Trust is to raise up to £100m via the issue of 100m shares.
Monarch Resources is to raise £3m via a placing of 2m shares at 116.5p.
On Demand Information is to raise £12 to 15m via a placing.
Roxboro is to raise £11.9m via a placing and offer of 21.7m shares at 230p.
Sidney (Charles) is to raise £3.6m via a placing.

RESULTS DUE

Company	Sector	Annnmnt due	Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Adam & Harvey	OIFn	Monday	0.4	1.6	0.4
Amber Day Holdings	Strs	Tuesday	1.1	2.0	1.1
BAT Industries	Misc‡	Wednesday	14.6	22.6	7.9
Bellway	C&C	Thursday	4.0	7.5	4.0
British Petroleum	Oil&G¶	Thursday	2.1	2.1	2.1
Euromoney Publications	Med	Thursday	8.0	21.5	10.5
Finsbury Growth Trust	InTr	Monday	0.9	2.0	0.9
Foreign & Co PEP Inv Trust	InTr	Tuesday	-	-	0.9
Gartmore European Investment	InTr	Friday	-	1.1	-
Goodhead Group	Med	Thursday	-	0.5	-
Greenwich Communications	Med	Wednesday	-	-	-
Keystone Investment Co	InTr	Tuesday	5.0	10.0	5.0
Low (William) & Co	FdRe	Thursday	2.7	5.7	2.7
MMT Computing	Elec	Thursday	1.1	2.4	1.25
Morgan Grenfell Equity Trust	InTr	Monday	1.0	2.46	2.0
Philips Electronics	Elec	Tuesday	-	-	-
Rights & Issues Inv Trust	InTr	Monday	-	0.415	-
Scottish Metropolitan Prop	Prop	Wednesday	1.5	-	0.4
Smart (J) & Co	C&C	Thursday	2.3	6.2	2.3
Westbury	C&C	Thursday	5.75	1.75	3.25
INTERIM DIVIDENDS					
Adam & Harvey	BsSr	Friday	5.0	7.0	-
Banner Homes Group	C&C	Friday	-	-	-
BDA Holdings	Prop	Tuesday	-	-	-
Boots	Strs	Thursday	4.6	8.6	-
Bula Resources	Oil&G	Friday	-	-	-
Burtonwood Brewery	Brew	Friday	0.7	3.98	-
Capital Gearing Trust	InTr	Friday	-	0.43	-
Caskat	InTr	Tuesday	0.3	0.5	-
Celsis International	H&H	Tuesday	-	-	-
Cook (William)	Eng	Friday	1.5	3.5	-
Finsbury Trust	InTr	Tuesday	1.2	2.0	-
First Ireland Investment Trust	InTr	Thursday	-	1.44	-
German Investment Trust	InTr	Wednesday	-	0.4	-
German Smaller Co's Inv Trust	InTr	Wednesday	-	2.0	-
Hambro Insurance Services	OIFn	Thursday	4.3	-	-
Marks & Spencer	Strs	Wednesday	2.2	5.9	-
McInerney Properties	C&C	Monday	-	-	-
Pex	Eng	Monday	-	-	-
Powerscreen International	Eng	Tuesday	1.8	4.8	-
Rexmore	Prop	Tuesday	0.7	1.05	-
Sainsbury (J)	FdRe	Wednesday	2.7	7.3	-
Smith (James) Estates	Prop	Tuesday	1.4	2.8	-
Westbury	C&C	Thursday	1.75	3.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ¶ = 3rd Quarter figures.

FINANCE AND THE FAMILY

Unit trusts / **Bethan Hutton**

The Japanese fund that takes its cue from Edinburgh

IT IS A LONG way from Scotland to Japan, but the physical *and cultural* distance has not hampered the performance of the Dunedin Japanese Smaller Companies trust – which is managed by a team based in Edinburgh and separated by nine hours and several thousand miles from the market it studies.

The £42m fund is top of 86 in the Japanese unit trust sector over the year to October 1, with growth of 84 per cent (offer to bid, with net income reinvested, source: *Micropal*); second over five years, with growth of 161 per cent; and eighth over three years.

Nigel Barry took over management of the fund in 1987, a year after its launch. He also manages Dunedin's Japan Growth unit trust, and the recently launched Dunedin Japan investment trust. He has a team of co-managers in Edinburgh, assisted by a researcher in Tokyo since 1990. The UK team members regularly visit Japan, seeing about 200 companies a year between them.

The investment approach is based on stock-picking, searching for good value among the smaller companies – mostly from the second section of the stock market and the over-the-counter market. "Smaller" is a relative term: the largest stock in Dunedin's portfolio has a market capitalisation of about £3bn; the smallest, about £50m.

The fund generally aims to buy reasonably large stakes, expecting holdings to form at least 1 per cent of the fund, so very small companies are not always suitable targets.

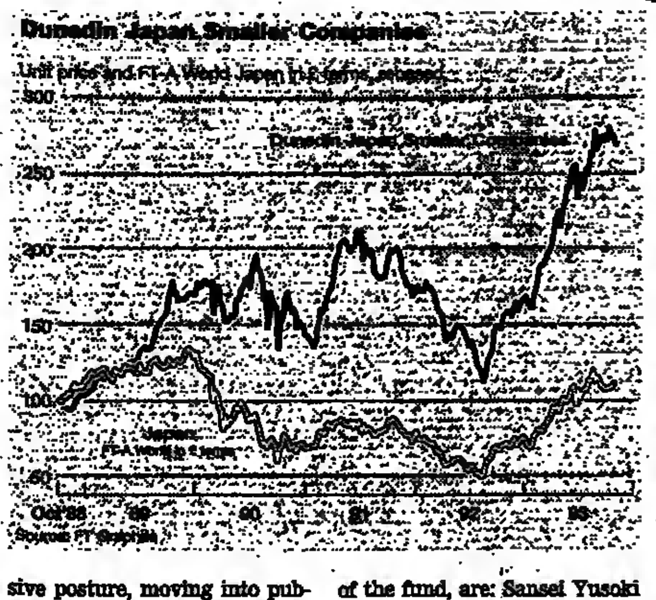
Share turnover is on the low side, at 30-40 per cent a year. "I wouldn't say the portfolio has changed a great deal in the past year," says Barry. "We tend to sell a stock when we think its earnings outlook has changed, or it becomes too expensive."

The strength of the yen has contributed to the fund's strong performance over the past year, but does not explain it entirely. Over the year from October 1 1992 to October 1 1993, the fund grew by 96 per cent (offer to offer) in sterling terms; but even in yen terms it put on a good show, with growth of 46 per cent.

Since the fund was launched, the Japanese stock market has had something of a roller-coaster ride, ranging from the late 1980s' boom to the early 1990s' bursting of the bubble and on to the latest signs of recovery. Barry's strategy has had to adapt to carry the fund successfully through the ups and downs.

Between 1988 and 1990, favoured areas included machinery and robotics companies, as large manufacturers were increasing capacity. But in 1990, when the market began to fall quite sharply, Barry adopted a more defensive posture, moving into public works and housing related stocks: utilities, road repair companies, and a few food stocks and manufacturing companies. "We were not exactly looking for great growth, just safety," he says.

Dunedin Japan Smaller Companies



Source: FT Graphite

Now that the market is starting to improve, Barry is picking a few more economically sensitive stocks. One successful find recently was Kansai Sekiwa, a real estate company dealing in low-price condominiums, where sales volume is starting to increase.

The fund holds about 60 stocks. The top 10, which account for just over a quarter of the fund, are: Sansei Yusoki (leisure and storage equipment), Rinnai (kitchen and heating equipment), Katokichi (frozen food), Senshukai (catalogue sales), Nissho Corp (medical equipment), Eidensha (electrical retailer), Chofu Seisakusho (kitchen and heating equipment), Shimachu (DIY and furniture retailer), Max (house building equipment), and Mabuchi (electrical micromotor manufacturer).

"Dunedin are basically value investors. We don't tend to get wrapped up in the theme of the day," says Barry. But economic and market trends are among the factors involved in the decision-making process. Japanese consumers, for example, have long had the reputation of being less price-sensitive, and more likely to buy expensive brand-name goods, than their counterparts elsewhere in the world.

The recession appears to be changing that. Growing consumer awareness of prices has been illustrated by the success of companies such as Aoyama, the discount suit retailer, and other well-positioned or adaptable companies could also benefit.

In the medium term, Barry is enthusiastic about the prospect of deregulation, in the construction industry as well as international trade. He is interested in companies which could benefit from trade deregulation, such as specialist discount alcohol retailers which could import lower-priced stock.

Other companies such as dairy product companies and bakers could do well from buying cheaper raw materials on the international market, where prices can be several times lower than for domestic products.

■ **Charges.** The trust has an initial charge of 5 per cent and an annual charge of 1.5; the bid-offer spread is around 6 per cent. The minimum investment is £1,000, or £30 a month with a savings plan. There is no Pep attached to the trust.

Controversy over fee

FOSTER & Braithwaite is launching a unit trust which, when held in a Pep, will offer investors a tax-free income of 7 per cent. The trust has already provoked controversy since it will deduct the annual charge from capital rather than income – a practice which the Securities and Investments Board, the UK's chief financial services regulator, hopes to ban.

If F&B had deducted the 1.25 per cent annual charge from income, the yield on the fund would be 5.75 per cent. So, it would be wrong to assume the F&B unit trust is better than a rival fund (which takes the annual charge from income) offering, say, 6 per cent. But John Vintcent, chairman of F&B, points out that investment trusts are allowed to take their charges out of capital, so why not unit trusts?

Furthermore, whether the charge comes out of income or capital should make no difference to the total return to the investor. As yet, there is no standardised basis for calculating unit trust yields; some trusts use the distributions they have paid already while others use the yield they expect to pay.

SIB is consulting on proposals to prevent funds from levying charges on capital but the industry's trade body, AUTIF, is against such a ban. If SIB does go ahead, F&B will have to change its practice.

The F&B fund's investments will be high yielding investment trust shares, UK equities and, on occasion, fixed interest securities. F&B is known best for its expertise in investment trusts; it has the top unit trust in the IT sector over three years. The initial charge on the fund will be 5.5 per cent (although there is a 1 per cent discount until November 22). Minimum investment in the Pep is £3,000.

■ Guinness Flight is offering a 1 per cent discount off its three UK equity unit trusts – Recovery, High Income and Temple Bar Emerging Companies – until November 19. The normal initial charge on them is 5.25 per cent.

The funds chosen show good short term performance, but two have rather less impressive long term records. The Recovery fund is top of the UK Equity Growth sector over the year to October 1 (although 105th out of 118 funds over five years). High Income is 19th out of 107 UK income funds over one year, but 67th over five years. Temple Bar Emerging Companies has done well over both the short and long term; it is 11th out of 66 smaller company funds over one year, and seventh out of 49 funds over five years.

The funds are actually even cheaper to buy through a Pep since the initial charge is just 2 per cent. (The discount does not apply to the Pep).

■ Prolific Unit Trust Managers is also offering a discount off some of its funds. In its case, the 1 per cent break is in the form of additional units if investors buy into one of four funds – Recovery, Technology, European Growth and American Opportunities – before November 26. All four have good records, with top quartile (25 per cent) performance in their sectors over one year. American Opportunities was the best US fund over the year to October 1. The charges are 5.25 per cent initial and 1.25 per cent annual.

Philip Coggan

Your CGT allowances

THE TABLE shows capital gains tax allowances for assets sold in September. Multiply the original cost of the asset by the figure shown for the month in which you bought it. Subtract the results from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose that you bought shares for £6,000 in June 1985 and sold them in September 1993 for £14,000. Multiplying the original cost by the June 1985 figure of 1.487 gives a total of £8,922. Subtracting that from £14,000 gives a capital gain of £5,078, which is below the 1993-94 CGT allowance of £5,800. If you are selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in September was 141.9.

CGT INDEXATION ALLOWANCES: SEPTEMBER

Month	1982	1983	1984	1985	1986	1987
January	-	1.716	1.634	1.556	1.474	1.419
February	-	1.710	1.627	1.543	1.469	1.413
March	1.786	1.707	1.622	1.529	1.467	1.411
April	1.751	1.684	1.601	1.497	1.453	1.394
May	1.738	1.677	1.595	1.490	1.450	1.393
June	1.734	1.673	1.591	1.487	1.451	1.393
July	1.733	1.664	1.593	1.490	1.455	1.394
August	1.733	1.658	1.578	1.486	1.451	1.390
September	1.734	1.649	1.575	1.467	1.444	1.386
October	1.725	1.643	1.565	1.484	1.441	1.379
November	1.717	1.637	1.560	1.479	1.429	1.372
December	1.720	1.633	1.561	1.477	1.424	1.374
Month	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**
January	1.374	1.278	1.187	1.090	1.046	1.029
February	1.368	1.269	1.181	1.084	1.041	1.022
March	1.363	1.264	1.169	1.080	1.038	1.019
April	1.341	1.241	1.134	1.068	1.022	1.009
May	1.336	1.234	1.124	1.063	1.019	1.006
June	1.331	1.230	1.120	1.058	1.019	1.006
July	1.330	1.229	1.119	1.061	1.022	1.009
August	1.315	1.225	1.108	1.058	1.022	1.004
September	1.309	1.217	1.097	1.054	1.016	
October	1.298	1.208	1.088	1.050	1.014	
November	1.290	1.197	1.092	1.046	1.016	
December	1.286	1.194	1.092	1.046	1.019	

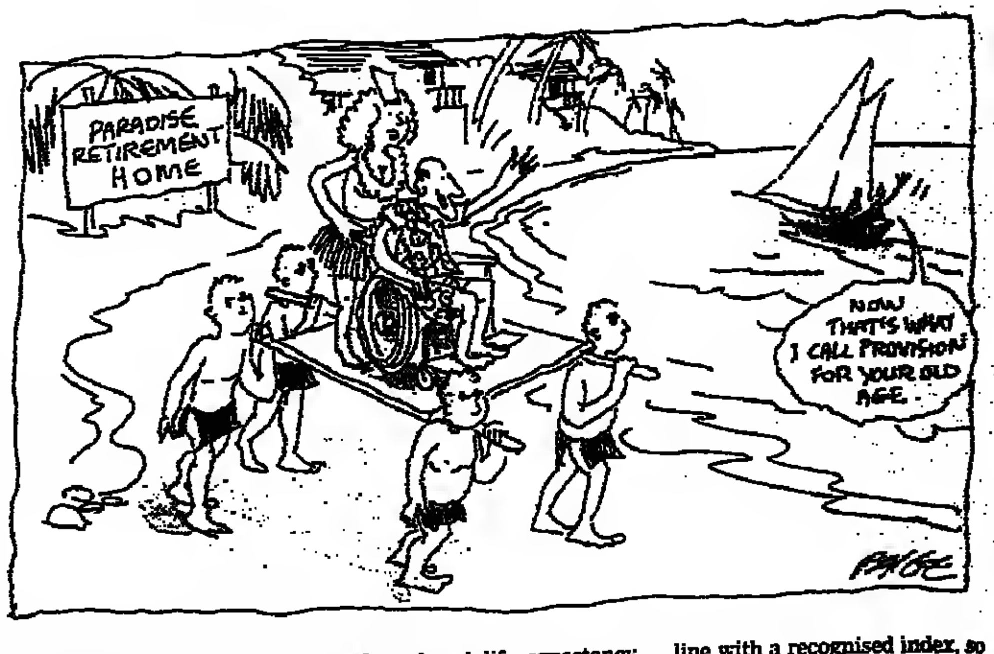
Source: Inland Revenue

FINANCE AND THE FAMILY

Health care

When age does weary them

***Bethan Hutton** investigates the options for those needing help as they grow older*



BRITAIN'S population is ageing, like most of the developed world. Modern medicine lets people live longer, but a growing number need expensive, labour-intensive care and nursing in their final years. This could strain both individual and national finances. A paper presented to the Institute of Actuaries this week estimated that the demand for long-term care would rise in real terms from £40bn a year now to £60bn in 40 years.

Demographic and social trends mean that the present heavy reliance on informal care by relatives may no longer be feasible in future. The ratio of retired people to the population of working age is set to rise, more women are going out to work, family members live further apart, and rising divorce rates mean there are more single elderly people – and fewer daughters-in-law willing to perform traditional caring roles.

In coming decades, more people are likely to have to pay for care, but very few are taking the logical step of planning for it. Many have the vague feeling that the state will provide but the government has made clear that it can no longer afford to take full responsibility for the elderly. Anyone who has income, savings, or a home above certain limits must now pay for care, as described in an article on these pages two weeks ago.

Within the past few years, a number of insurance companies have launched products which aim to make paying for care easier. Sales are low as yet, and insurers are still experimenting with product structure. One innovative option devised by Cannon Lincoln, which packaged long-term care insurance as part of a pension plan, was dropped after the Inland Revenue withdrew approval.

Many insurers are hesitant to launch products while public awareness of the need is still low, or are waiting for the government to come up with tax incentives to kick-start the market. Bupa, the medical insurer, has been eyeing the market for some time and could well launch a product next year.

Products available now take two main forms: insurance plans for people not yet requiring care; and "point of entry" plans for people who already need to go into a nursing home but are worried about their money running out. A few hybrid products combine an element of long-term care with life or permanent disability insurance.

Long-term care insurance is based on a concept called "activities of daily living" (ADLs) – such as being continent, able to dress, wash, use the toilet, get in and out of bed and feed yourself without assistance. Once a person is no longer capable of a certain number of ADLs, the policy will pay out. "Cognitive impairment," such as that caused by Alzheimer's disease, will also usually act as a trigger.

Commercial Union and PPP Lifetime are the biggest players in this market, offering similar plans at two levels. One pays out only on serious incapacity (roughly, failing more than three ADLs), and one starts to pay at a lower level when two ADLs are failed. As the payments are made to the care providers – whether nursing homes or home nurses – they are tax-free. This insurance is intended to be long term, like life assurance: the younger and healthier you are when you start, the cheaper it will be all along. Premiums can be paid monthly, annually or as a one-off lump sum, particularly on retirement or when people move to a smaller home and have cash in hand.

Prime Health, a specialist health insurer, has two plans. One, called Home Health Care, covers help in the person's own home while Home Health Care Plus extends to nursing home care and some common inpatient surgery which improves the quality of life, such as hip replacement operations. These are more short-term policies, similar to private medical insurance, with variable, annually renewable premiums.

Commercial Union is also a provider of "point of need" plans along with Eagle Star and Clerical Medical. The plans are all different, but have as a common basis an enhanced annuity: anyone needing immediate nursing home care is by definition in a poor state of health, with a correspondingly reduced life expectancy, and so can get better than normal annuity rates.

The plans are bought with a lump sum (often from the sale of a house) and then pay out a fixed or increasing sum every month or year for the rest of the person's life. Often, the insurer makes an arrangement with the nursing home that its fees will not rise more than a certain percentage a year, or in line with a recognised index, so that no shortfall arises.

Clerical Medical's plan is rather different. It is for a fixed five-year period and part of the lump sum goes to buy a temporary annuity. The rest is invested in unit trusts or a Pep with the aim of replacing the capital used to buy the annuity. After five years, another plan can be taken out or other arrangements made.

The Speculator

Penny shares: why you should beware

WHEN INVESTORS start to get interested in penny shares, that is often the sign of a flourishing bull market. If blue chip share prices start to run out of steam, the spotlight turns to less well-known companies which seem to present the chance for speculative profits.

Penny shares are merely stocks with share prices of under £1 (in some cases, under 10p). What makes them a potentially attractive investment is that they often fall into two categories:

■ Those where profits have collapsed and there is the hope that the market has under-estimated the chance for recovery.

■ "Shells" where there is no substantial business left. Here, the main value of the company is the stock market quote itself. This can be used by acquisition-minded entrepreneurs, or by other businesses which want a listing and can "reverse" into the shell.

Both these classes of stocks can provide attractive returns, although at a risk; recovery stocks do not always recover and moribund shells can remain moribund for a long time.

Investors, however, seem to have a mystical belief that penny shares must be bargains simply by virtue of their low prices. Indeed, some may remember the phenomenal rise of Polly Peck in the 1980s and are hoping to catch its 1990s' equivalent.

Part of the enthusiasm could be due to the feeling that investors get more for their money with a penny share stock. Put £1,000 in ICI and you will get 140 only shares; put £1,000 in the Millwall soccer club and you get around 25,000. The problem with this theory is that if Millwall goes bust, you still lose £1,000.

In fact, there is nothing magic about the share price of the company. If someone whispers to you in the street: "Psst. Want to buy some beer for 50p?" you would be wise to ask: "How much beer exactly?" If the reply is a teaspoonful, then you are being offered a bad bargain; if the answer is a gallon, the deal might be attractive.

The key questions about a share price are not "Is the price above or below £1?" but "What are the assets and the profits (or potential profits) of the company?" and "What proportion of those assets (and profits) do those shares represent?" If, for instance, there were only two shares in British Petroleum, and each was priced at £1bn, they would still be a bargain since the whole of BP is valued at more than £18bn. But shares in a company about to go bankrupt would be worthless at 1p, 0.5p, or 0.25p, since shareholders would get back nothing when the company went bust.

Any quoted company could easily turn itself into a penny stock simply by making a scrip issue; that is, issuing enough free shares. The company would still have exactly the same assets and profits as it did before and the shares ought to be no more or less attractive.

In practice, however, the "bargain" effect does mean that shares tend to rise because of a scrip issue. Scrips do not always result in penny shares; often, they are undertaken by companies with so-called "heavy" shares, trading at more than £10 or so, and bring the price down to a more palatable £4-5.

It is one thing to accept that the market can be irrational in favouring companies with low share prices; it is a much greater leap to state that penny shares automatically are cheap. Many investors make dangerous assumptions, such as: "The shares are trading at only 2p so, if they go up to 3p, I will have made a 50 per cent profit."

'Potential, not price, creates the investment opportunity'

That ignores the very wide bid-offer spreads (the different prices for buying and selling) which often apply to penny shares.

Take Dares Estates and Tamaris, two companies which were shown as trading at 2p earlier this week. That figure is, of course, just the *mid-price*; the *bid-offer spreads* were 1¾p-2¼p for Dares and 1½p-2½p for Tamaris.

In short, buy the shares of Dares and you start off with a 22.2 per cent loss, not counting the cost of commission and stamp duty; buy Tamaris, and you are 40 per cent in the red.

To make a 10 per cent profit on, say, 40,000 shares in Tamaris (costing £1,000, plus £5 in stamp duty and £40 in commission), you would need the bid price of the shares to double to 3p. Furthermore, the "value" of penny shares often consists of the hope, or expectation of future developments; sometimes there can be no dividend, no profits and not much in the way of assets.

Even if the business of the company does improve, it can take a long time for the fundamentals to catch up with the effect that sentiment has had on the price. And if sentiment changes for the worse, the small investor will probably be the last to hear.

So, is there any merit at all in penny shares? There can be, but *only to the extent that often they are small companies or recovery plays.* Penny shares are far more likely to be small, than large, companies; at present, the only FT-SE 100 index constituent at present with a share price of under £1 is Asda.

The work of Elroy Dimson and Paul Marsh, of the London Business School, has shown that small company shares have tended to outperform their larger brethren over the long run. One reason is that there is more scope for small companies to grow; another is that they tend to be under-researched and, therefore, under-valued.

Recently, however, investors have endured four successive calendar years – from 1989-92 – of smaller company underperformance. The small company effect is thus not inevitable (although such shares have outperformed this year).

For the private investor, the risk of investing in *individual* small companies is high; because they are highly vulnerable to the fortunes of a major customer or a particular sector of the UK economy. The safest way of backing the small company effect is via a specialist unit or investment trust.

The same factors apply to recovery situations. As the long-term success of funds such as M&G Recovery has shown, it is possible to earn excess returns by picking on stocks which the market has written off. There have been some splendid examples of penny stock recoveries in the recent recession; Next has climbed from 12.5p early in 1991 to near 200p today.

The O'Higgins theory, which we have written about many times in the *Weekend FT*, depends partly on choosing shares with low nominal share prices. But it limits itself to major companies, on the ground that the low price indicates the chance to buy a sound business while it is temporarily in the doldrums.

Shares, however, do not collapse for no reason at all. Many companies which have fallen to the status of penny shares have very real problems, which often prove fatal. For the private investor, a broadly-spread fund of recovery stocks is a better bet.

In short, penny stocks can have their attractions – but not because of their price. It is the recovery or growth potential of the company that creates the investment opportunity, *not the level of the share price.*

Philip Coggan

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FINANCE AND THE FAMILY

Diary of a Private Investor / **Kevin Goldstein-Jackson**

All downhill from this Crest

CREST is a well-known brand of toothpaste. The same name has been chosen by the Task Force on Securities Settlement for the proposed new share settlement system which is expected to begin operations in 1996. Rather than give people a gleaming smile, the task force's Crest is likely to make many private investors foam at the mouth.

In preparation for Crest, the London Stock Exchange recently announced that a 10-day rolling settlement for UK equities would be introduced on July 18 1994. The task force has recommended that the settlement period be reduced still further: to five days at the start of 1995.

The time taken to post and clear cheques will then make it impossible for private investors to deal unless they leave money on deposit with their brokers and, probably, make use of a broker's nominee service. The brokers will either charge for this "service" and/or make a "turn" on the money held on deposit, offering a lower interest rate than an investor could gain elsewhere.

With a nominee service, all dividend cheques go to the broker, not direct to the investor, and it is highly likely that the brokers will earn interest for themselves on dividends for several days (or longer) before crediting the dividends to their clients' accounts.

While I am in favour of brokers' receiving a fair return for their work, the nominee system can cause all sorts of problems. Under a nominee system, all company reports, takeover and other documents are sent to the nominee, not to the shareholder. Depending on the efficiency of the nominee (many of whom leave a lot to be desired), these documents may then be forwarded to the private investor.

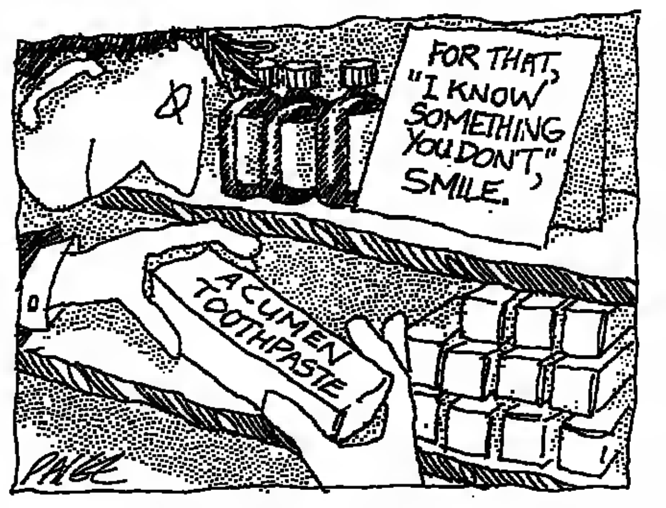
Some nominees insert their client's name after the nominee name so that, when documents arrive, it is easier for them to discover to whom the documents should be forwarded. Other nominees do not do this and sometimes get in rather a muddle. In any event, delays are caused. Yet, prompt action on receiving documents can save an investor a small fortune.

Many small companies receive little press attention and are not followed by analysts. The private investor, therefore, has to rely on the company itself for information. If there is some "horror" concealed in the notes to the accounts, then, by the time an investor receives his report via a nominee, other people may have bailed out of the company at a far better price than the poor nominee-dependent private investor will be able to achieve.

The supporters of the nominee system claim it is possible for investors to get reports direct from the companies concerned. I have tried this: it does not always work. Writing to a company secretary asking to be placed on the company's mailing list for reports will result in a report being despatched in the first year but, quite often, reminders have to be sent in subsequent years. Writing to company registrars dealing with millions of shareholders in hundreds of companies is also not always effective, either.

Getting a nominee to exercise voting rights on your behalf at an annual general meeting can also be fraught with problems, as well as incredibly time-consuming and costly. And as to getting "shareholder perks," such as discounts on purchases from a company's stores, most companies and nominees find this impossible to arrange.

Using a nominee means everything has to to be double-checked by the investor – even more time-consuming than checking bank statements for errors. At least with cheques, you have a fairly good idea of



the amounts going into and out of a bank account; with nominee share services, there are additional problems. For example, I once sold what I (and the nominee) thought was my entire shareholding in a particular company only to find, almost a year later, that I still held shares in the company as a result of an earlier share bonus issue of which I had had no knowledge and which the nominee had not noticed.

The scope for fraud and tax avoidance by nominees is enormous. We have all read of companies that have gone bust and where auditors are being sued for alleged negligence – are nominees likely to be any better? Holding shares in my own name, I know the shares are mine: I have a share certificate in my name, not that of a nominee. At any one time, my brokers are not holding large amounts on my behalf; I am, therefore, well protected by the compensation scheme.

But if everyone is forced to move to nominee services, then many people will find the terms of that scheme inadequate because their brokers will be holding large sums on their behalf. It is worth remembering that, under the scheme, a claimant only receives the first £30,000 of his claim in full and 90 per cent of the next £20,000. The maximum anyone can receive is £48,000.

Will this mean that more private shareholders will move to large, well-known firms of brokers in the hope that size will bring greater security? If so, will the numbers of independent broking firms decline and thus reduce competition, to the detriment of investors?

Even if a broking firm is financially secure, if its systems foul up or its record-keeping is poor, then it could be costly and time-consuming to sort out who exactly owns what within its nominee service – and so clients might have to wait some time before being able to sell their shares or receive the amounts that are due to them.

I have never liked nominees. Indeed, 23 years ago, when I was just investing small sums as a student, the *FT* published a letter from me in which I stated: "Far too many sharp deals and crooked practices can be carried out behind nominees." How much capital gains tax is the Inland Revenue deprived of because the unofficial owners of shares have their identities concealed behind nominee names? If it is proposed to have identity cards to reduce the number of social security benefit cheats, why is it legal for people to hide behind nominee names when the scope for cheating on tax is considerable?

It surprises me that a government which spends millions of our tax on promoting democracy in other countries should connive with the Bank of England (leader of the Crest task force) to remove democratic rights from private investors. The Bank of England is a supporter of the Cadbury Code of Corporate Governance: yet, where is the proper governance when private shareholders find unwanted, costly obstacles placed in their path designed to make it difficult for them to attend AGMs and vote on various proposals, including take-over bids?

It is the private investor, more than the professional investment analyst, who is likely to notice mistakes in the annual report. Indeed, there are a number of instances at AGMs where private investors have correctly pointed out simple errors in arithmetic in reports which analysts have failed to spot. It is private investors who are likely to have more courage and ask pointed questions designed to elicit information of benefit to all shareholders.

Like many other private investors, I like receiving direct communications from companies and having a direct involvement with them. After all, as a shareholder, I am one of the owners of the company.

Benefit turns sour

DURING 1991/92, I started a new job. This included a company car, with petrol provided for business mileage only.

In my tax return for the year, I declared the appropriate scale charge, reduced proportionately for the number of months for which the vehicle was at my disposal, and this was accepted.

During the following year, the benefit was improved to include fuel consumed for private mileage. I assumed I would be taxed only from when the benefit started.

But the Revenue has now told me that "fuel is an all or nothing charge. If you make good the cost of all the fuel provided for private use, the car fuel scale charge is nil. If you fail to make good the cost of all the fuel provided for private use, the full amount of the car fuel scale charge is chargeable."

Is the Revenue correct that there can be no proportionate reduction in the annual scale charge for the period before the benefit was provided? If so, could I now reimburse my employer for private fuel costs from the date the benefit was provided to the end of that tax year, and thereby eliminate the tax liability?

■ The answer to your first question is yes, by virtue of section 158 of the Income and Corporation Taxes Act 1988 as amended for 1992-93.

The answer to your second question is no, because sub-section 6 of section 158 says that "the cash equivalent is nil" only "if in the relevant year ... the employee is required to make good to the person providing the fuel the whole of the expense incurred by him in or in connection with the provision of fuel for his private use and he does so ..."

Ask your tax office for the free explanatory booklet 480 (Guide to expenses payments and benefits for directors and certain employees). This will give you an idea of the arbitrary nature of the rules laid down by parliament: they do not purport to be equitable or logical.

Tax credit on dividends

I HAVE A self-select personal equity plan (Pep). On my last quarterly statement was an entry for a tax credit on one of my dividends. The credit was given at the rate of 20 per cent.

I think the rate of tax on dividends is 25 per cent, but the last Budget decreed that credit is given at only the 20 per cent rate. A Pep is free of all tax, so am I right in thinking that this means there is relief at 25 per cent and not at just the rate at which non-tax exempt funds can claim a tax credit? Should my Pep have credited me at the 20 or 25 per cent rate?

■ The Inland Revenue was correct in paying a credit at the rate of only a quarter (equivalent to 20 per cent tax) on your Pep dividends for the present tax year, as against a third (equivalent to 25 per cent tax) on previous years' dividends.

You are wrong in saying "the rate of tax on dividends is 25 per cent." In the former chancellor's speech, printed in the *FT's* Budget supplement on March 17, was the statement: "Finally .. I also propose to reduce the rate of tax on dividends from the current basic rate of 25 per cent to the lower rate of 20 per cent."

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0902 645700	Postal	£500	6.40%	Yly
Buckinghamshire BS	Chiltern Gold	0494 873064	Postal	£2,500	6.55%	½Yly
Birmingham Midshires BS	First Class	0902 645700	Postal	£10,000	6.85%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	7.10%	Yly
NOTICE A/cs and BONDS						
Northern Rock BS	Ninety Day	091 285 7191	90 Day	£5,000	6.75%A	Yly
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	7.35%	Yly
Scarborough BS	Scarb'gh Ninety 3	0723 368155	90 Day	£25,000	7.65%	Yly
West Bromwich BS	180 Day	021 525 7070	160 Day	£50,000	6.10%	Yly
MONTHLY INTEREST						
Birmingham Midshires BS	First Class	0902 645700	Postal	£500	5.94%	Mly
Buckinghamshire BS	Chiltern Gold	0494 873064	Postal	£2,500	6.20%	Mly
Woolwich BS	Investment Bond	0800 400900	90 Day	£25,000	7.25%	Mly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	7.81%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 742211	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	081 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.85%	Yly
				£25,000	6.85%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.93%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investm	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%E	Yly
GUARANTEED INCOME BONDS (Net)						
Alico		081 680 7153	1 Year	£50,000	4.45%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	4.75%	Yly
Prosperity Life FN		0800 521546	3 Year	£15,000	5.55%	Yly
Financial Assurance		081 367 6000	4 Year	£50,000	5.65%	Yly
Swiss Life		0732 450161	5 Year	£50,000	6.00%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = 0.5% bonus if no withdrawals per annum. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

MINDING YOUR OWN BUSINESS

Playing it cool in the fruit field

***David Spark** on the chilling techniques used to ripen produce*

HARD avocados, unloved and unwanted by supermarkets and shoppers, are what gave Barry Cooper an opening into business.

The fruit can he imported hard and then ripened with heat and ethylene gas – hut it can get *too* ripe. Cooper, a self-employed refrigeration engineer, was asked to design airspray equipment to cool the avocados and stop the ripening process.

"The first airsprays leaked so they cost me a lot of money," saye Cooper. However, once he overcame that problem, he had equipment enabling him to send fruit and vegetables through the supermarkets' distribution chains in good condition.

He joined with Ian White, then selling refrigeration equipment for a Peterborough company, to form the Horticold company in 1989. "I wanted to expand the business. Ian had a good customer base and technical knowledge. We just felt there was a huge market."

Chilling fruit and vegetables in Britain used to be a hit and miss affair and caused produce to dry ont. It was put in a cold room or a refrigerated lorry but a cold room simply chills the air and the cold takes a day or more to reach the *inside* of the produce. Maintaining the quality of the fruit and vegetables requires faster cooling.

But how fast? Peaches split if cooled too quickly; cucumbers go soft. There was no research data, so Cooper and White have had to compile their own using a mobile cold room equipped with airsprays enabling them to see bow fast the produce can safely be cooled.

White only went into refrigeration following an incident on the cricket field. He was fielding at first slip when second slip suggested that he give up car trading, which he had taken up after a background in engineering, and apply for a job at a Hull refrigeration company. He got the job.

To launch Horticold, Cooper and White took out £100,000 in bank loans against guarantees. They got their first hig order quickly, a £300,000 contract to design and install equipment for a new distribution centre for J.O. Sims, an importer, at Spalding, Lincolnshire.

Slowly they built up a reputation, advising and equipping other importers, and installing small units at prices from £10,000 for farmers selling strawberries. "The only thing that sells an engineering product is recommendations and track record," says Cooper.

Then Horticold turned to the importers' suppliers in Spain, France, Greece, Zambia and Kenya, offering to cool produce straight out of the fields, thus allowing it to be picked ripe.

"People harvest produce unripe for a long shelf life," says Cooper, "but if it ripens unnaturally the taste is not there. Peaches from Italy look beautiful but can taste lousy. It used to take 24 hours to cool peaches. We deeigned a machine that could do it in an hour."

A staff of 12 assemble Horticold equipment at Langley, near Slough. They also install it in Britain and overseas, and train local maintenance teams.

Turnover was £600,000 in the first year. Four years later it's £1.6m. Profit is between 3 and 5 per cent. "We've had a few scary moments witb delayed payments and people finding excuses not to pay," says Cooper. "You have to run on your clients' integrity."

Horticold is now tackling the task of promoting the sale of British fruit and vegetables by extending the season beyond November. This means that produce must be stored, possibly for months and then ripened.

As produce ripens it gives off carbon dioxide and sometimes ethylene, and this mixture promotes further ripening. Cooper and White have devised a computerised system for controlling the mixture and, through that, the ripening process.

"We started with carrots," says White. "Wa have a project near Newark. We have also shipped equipment to Italy for potatoes and carrots."

They now have to wait to find out if they priced these projects correctly: they will not know the costs until the first few are completed. They believe, howevar, in doing things themselves. Cooper says: "People want a slice of the action. But these are our ideas. We developed them. There's no charity when it comes to business."

Their understanding of refrigeration and the market gives them an advantage over less specialised companies in what they have found to be a specialised field. "The more cities and countries you visit, the greater depth of understanding you acquire. And thie, after all, is a technology that does travel."

■ *Horticold, Unit 18, Wexham Road Business Village, Slough SL2 5HF. Tel: 0753-692891.*


Trevor Humphries

Beating the freeze: Ian White, managing director of Horticold

As They Say In Europe/ **James Morgan**

France insists on playing the fool

THE FRENCH Fifth Republic is founded on two principles: it must stand up to its friends and cave in to its enemies. President de Gaulle laid tha groundwork when he turned on those who put him in power in 1958. He later ditched Nato and tried to cosy up to the Russians.

Then, 20 years ago, France thought its interests lay with the oil producers when OPEC jacked up the price: it rejected membership of the west's International Energy Agency and went over to the other side. This resulted in hnge contracts in Iraq, for which it never got paid. More recently, France tried to preserve East Germany, although it did not go along with more extreme British plans in this area.

This week saw the government failing to end a strike at Air France, even though it abandoned an essential plan to re-structure this giant loss-maker. Nearly two-thirds of tha population approved of this retreat, according to one poll. President Mitterrand said the strikers often talked sense and gave the kind of backing to his prime minister, Edouard Balladur, that Lady Thatcher reserves for John Major.

On trade questions, France remains united around the neanderthal remnants of a once-numerous peasant class. But any success achieved in protecting them will damage the country's long-term interests and, more importantly, those of its closest allies.

It could be that things are now getting out of hand. The president of the European Commission has diagnosed the problem. Jacques Delors often keeps his more valuable aperçus to himself but on television nearly two weeks ago, he revealed that the French had finally gone mad. What he said was that France was going through a "collective tranma which leads to bad solutions, prejudicial to its interests". He was talking abont Gatt – the General Agreement on Tariffe and Trade.

These four letters often arouse a certain madness – catatonia, hysterical boredom, and even a complaint known as Gatt-rejection syndrome. German newspapers can scarcely hring themseives to mention it. In Russia, the very words "Uruguayski Rannd" generate disbelief and scorn.

For the French, though, international trade poiicy plays the same role as vampires in Transyivanian folkiore. The day after Delors' warning, there were 27 editorials in the French press. Tha day after, 18. "We are not barmy," was the theme.

The peasant provides a stock character of French cinema – but a laughing stock character

The issue these days is not only French farming: agricultural protection is now joined by cultural protection, otherwise known as snbsidising French films and keeping American rubbish off tha small screen. In a country where you can rely on seeing an oid episode of *Hawaii Five-O* whenever yon like, there is clearly mnch to be done.

In its five-point rebuttal of everything, *Nice-Matin* accepted the worst the world could throw at France: "Must we be resigned to see ourselves stigmatised as timid, irreievant, limited, narrow-minded, inconseqnential, chanvinist, archaic, demagogic, and so it goes on, for the simple reason that we care for the interests of France? One hopes this will not be so and there etill remains an opportunity for our lesson in reason to be heard." Most French ieader writers think they are François Mauriac.

Another paper wrote of Balladur's "Gaullist accents" and talked of a France ready to "join the Resistance" if the US persisted in its dangerous game – "a France which will accept neither injustice, nor inequality nor humiliation". *Le Figaro* linked the Gatt struggle with the solidarity of the Francophona group, which held a eummit at about the same time. France conld escape from its encirclement by shovelling out free surplus food to its old colonies.

Liberation, almost alone, maintains a sceptical attitude towards the pro-peasant frenzy of the rest of the media. Referring to a prospective piece of legislation which will make it obligatory to translate the words "Jurassic Park" into French, it wrote: "Drugged by a kind of plebiscite, Edouard Balladur will be ahle to confront, with renewed muscle, the yankosaurs who menace our country."

It is the coincidence of farms and films that makes the present French stand so interesting. The two are indeed symbols of all that it means to he French. The only tronble is that they do not go well together: the peasant provides a stock charaeter of the French cinema, but a laughing stock character. From *The Sheep has Five Legs* to *Jean de Florette*, this figure – depicted as a timid, narrow-minded, archaic, malign, half-witted drunk – deploys enough cunning to destroy his friends while, comically or tragically, assuring his own demise.

Farmer France – the Movie provides a less-than-satisfactory motor for a new Europe. Which is a pity – for France, when not playing the fool and fighting its friends, is tbe country which can make this Europe something worth joining.

■ *James Morgan is economics correspondent of the BBC World Service.*


Learning new skills: schools now offer a wealth of courses

FT schools survey

■ From Page I

Fifth, in Wycombe, the authority *has* kept the traditional division between the sexes in its grammar schools, in spite of the shift to co-education elsewhere, even in the top independent boarding schools.

Does this segregation help to explain the area's good results?

Certainly our survey shows that, on average, single sex schools get better examination grades in both state and independent sectors.

But there is much debate about the significance of this result. Do boys and girls really learn better without the distraction of the opposite sex? Or is it merely an historical accident that schools with an established record of academic success tend to have remained single sex?

Muriel Pilkington, bead of Wycombe High, champions the traditional view that girls can flourish better in classrooms without boys, who, she says, tend to be less mature.

If girls want to meet boys, they can do so after class, since Wycombe High and John Hampden face each other across a road.

Nevertheless, many parents dislike segregation by sex, as the shift to co-education in other parts of the country amply attests. And this is only one reason to be cautious about Buckinghamehira's laboratory of "traditional" education, despite the achievements.

However enlightened and flexible the system may claim to be, dividing young children by academic "success" and "failure" can be cruel.

In Buckinghamshire, these words were formerly used in letters sent by the authority to the parents of every 12-year-old.

At Sir William Ramsay, pupils appear happy, well-disciplined, and by no means the dejected or embittered failures which mythology might suggest.

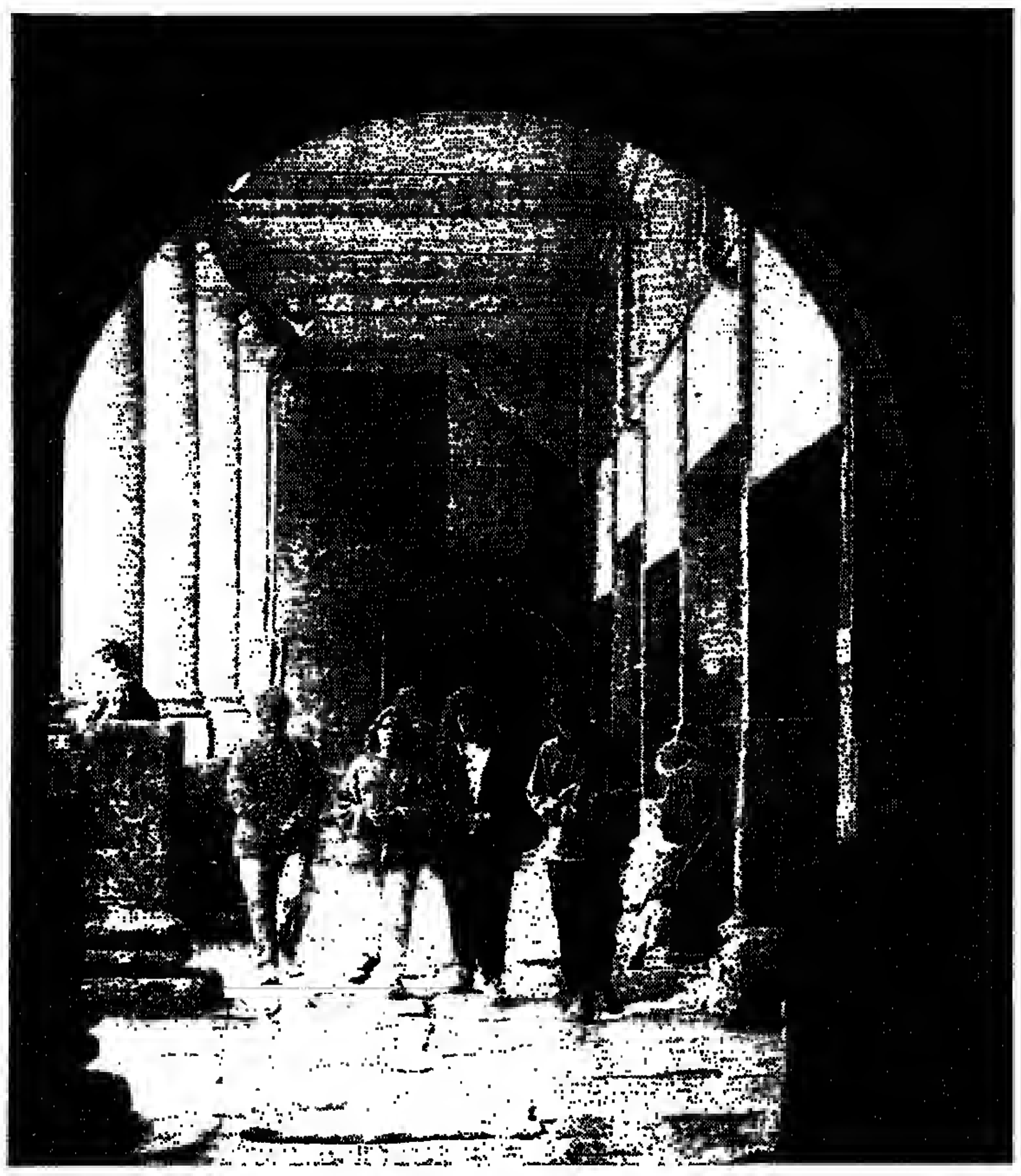
Five out of six prefects say they want to go to university, an ambition which seems quite realistic.

Meanwhile, the school's cricket captain says: "Wa were rained off last eummer, but we'll beat the Royal Grammar this year. Just you wait and see."

And yet, and yet ... in spite of all this optimism and fighting talk, pupils and teachers attest to intense preesure on children to "succeed" by winning a place at grammar school.

One of the prefects at Sir William Ramsay who is aiming for university, unwittingly summed up the argument, which will always remain against selection: "Of course if I was good enough, I would go to RGS. But *I* wasn't good enough."

TRAVEL



Tony Andrews

The Roman baths in the city of Bath, one of Britain's 14 World Heritage sites

Masterful guide to World Heritage sites

TRICK QUESTION: how many British sites appear on Unesco's World Heritage list of 360 "natural and spiritual treasures" of 80 countries? asks Michael Thompson-Noel. *Masterworks of Man & Nature*, published by Harper-MacRae at £30, puts the answer at 14.

It is a trick question because one of them is Henderson Island, uninhabited and largest of the Pitcairn group in the south Pacific. Henderson is described as one of the few remaining pristine atolls anywhere, an evolutionary laboratory with all the dynamics of natural selection on display.

Top marks, however, if you managed to call to mind six of the remaining 13 British sites. The list: Blenheim palace, Oxfordshire; the city of Bath, Avon; Edward I's castle and town walls, Gwynedd, north west Wales; Canterbury cathedral, St Augustine's abbey and St Martin's church, Canterbury, Kent; St Kilda, Outer Hebrides; Stonehenge, Avebury and associated megalithic sites, Wiltshire; the Giant's Causeway and its coast, Northern Ireland; Tower of London; Ironbridge Gorge, Wrekin; Westminster palace and abbey, and St Margaret's church, London; Durham cathedral and castle; Hadrian's wall; Studley royal park and the ruins of Fountains abbey, North Yorkshire.

Masterworks is a thorough, well-photographed guide to all 360 World Heritage sites, buttressed by useful essays.

Paul Keating, prime minister of Australia, co-signs the preface in which he describes the World Heritage convention as "one of the greatest achievements in international co-operation of all time."

Not many people know about El Salvador . . .

TWO HUNDRED years ago, a hole appeared in the ground somewhere in western El Salvador and a huge fountain of lava and ash spewed out to form a perfect volcanic cone 4,000ft high. Over the years it remained almost permanently active and, late in the 1950s, the government decided to build a lavish hotel on an adjoining peak with spectacular views into the crater.

Just as the Hotel Montaña was about to open its doors in October 1966, Izalco volcano let out one last rumble and, to this day, has remained perfectly, stubbornly dormant. Such is the luck that has dogged the history of El Salvador's tourist industry.

In recent years, events have taken several turns for the worse, with a terrible civil war and a frail peace accord in 1992 doing little to promote the country as a holiday destination.

The capital, San Salvador, once was an elegant colonial city but has twice been destroyed by earthquakes and is now dominated by a monstrous, unfinished concrete cathedral. Building started in the 1950s but, during the war, the liberal archbishop, Oscar Romero, ordered church funds to be spent instead on the poor. Despite his murder by a death squad 13 years ago, the cathedral shows no signs of being completed.

In the 1980s, other Central American countries seized on developments in international tourism, with Guatemala cashing in on its colourful indigenous population and Costa Rica catering to the fast-growing demands of eco-tourism. But El Salvador seems to have missed the boat again. Its own Indians apparently have decided to adopt western culture, trading in their traditional garb for T-shirts and jeans. Even the country's principal pre-Colombian ruin, a 10th century pyramid at Tazumal, has been restored crudely in concrete. The countryside is beautiful but farmed intensely: eco-tourists want to see jungle, not banana groves and coffee plantations.

At the tourist office in San Salvador, the staff refuse to be disheartened. A bubbly young lady assured me there were *muchos, muchos* other tourists in the country, although her excitement at my arrival suggested otherwise. She gave me a handful of photo-copied bus timetables, a list of government tourist centres – and suggested I visit a Texaco garage to find a road map.

I took a bus to the "charming indian village" of Panchimalco, which allegedly has a "beautiful church full of colonial treasures." Everyone there spoke Spanish, wore Levis and seemed to be listening to heavy rock music. The church was boarded up, apparently after a Colombian tourist had run off with some of the colonial treasures.

Things improved at Ilopongo, just half-an-hour from the scream and stench of San Salvador, where I found a clear blue lake five miles wide in the crater of an extinct volcano. The water was warm, fed by hot springs, and an old man steered me around the little craggy islands in his leaky boat. On the shore, the government has built one of its tourist centres, a surprisingly tasteful collection of wooden picnic tables under a cluster of palm trees.

The Indians used to drown four virgins in the lake every year because they believed it was inhabited by gods – and, with all those other tourists mysteriously absent, it was easy to see why. The place was eerie.

On weekdays, all the tourist centres were similarly deserted but, on Sundays, rattling buses would descend on them, packed with thousands of city folk. Few would sunbathe or even swim, preferring instead to sit around drinking horrifying quantities of Tic-tak, a clear rum that scientists might like to consider as a way to power space missions. For most Salvadoreans, a perfect Sunday seems to consist of going to church, downing two bottles of rocket fuel at the beach and then driving home, stopping on the way for a brief gunfight with a fellow motorist.

The second city, Santa Ana, has a small-town feel; when I got off the bus I was approached by various people who wanted to help me find a hotel, have a chat or just shake hands. None asked for money. It was one of the most friendly places I have known. There were few sights; but inside the huge neo-Gothic cathedral, under a shrine to Our Lady of Santa Ana, was an interesting plaque which read simply: *Gracias por el pick-up*.

Two hours away, at Sonsonate, a week-long fiesta was getting under way in honour of La Virgen de la Candelaria. Each evening, the streets were blocked off with enormous loudspeakers and the salsa and merengue blasted out until 3am. At 4am, an army brass band drove around town on the back of a truck, playing a screeching fanfare.

In the east of the country, where the war had been fought most intensely, the fiestas were more subdued. In the small town of San Vicente, in a valley surrounded by fields of sugar cane, people were

still getting used to the lifting of the curfew and some would not yet venture out after dark.

On the main square, the church was overshadowed by a huge military barracks, painted lurid green and surrounded by sandbags and gun turrets. On Sunday evening, about 30 uniformed soldiers marched out on to the leafy park, took up positions on the bandstand and, armed with three bass drums, six tubas and a woodwind section big enough to fill a stadium, bashed out possibly the worst-ever public rendition of the Beatles' *Yesterday*.

Not a soul watched, but, across the square, a small stage had been set up outside a chemist shop where two young men with acoustic guitars played songs of love and freedom. A crowd of hundreds appeared from nowhere. Eventually, the army retreated, leaving the guitarists in peace. Twenty minutes later, a power cut threw the square into darkness and the crowd drifted back into the shadows without complaint.

El Salvador's best chance of attracting tourists might lie in its beaches. The long stretches of stark black sand and crashing white surf are dramatic and deserted. Word had it that some of California's most adventurous surfers were about to descend on a spot called Zunzal, but I swam there in complete solitude until a military training jet roared over the horizon and buzzed me from 20ft, almost bringing on a heart attack.

As I recovered my composure over a beer and a plate of crayfish at a wooden beach-side restaurant, a thick-set, middle-aged man, in dark glasses walked in, looked carefully around – and then sat down to embrace a young female companion. Outside stood his black Jeep with tinted windows and five nervous-looking bodyguards, each with matching moustache and machine-gun.

I developed a habit as I travelled around the country of asking hotel and restaurant staff if there really were many other tourists in El Salvador. The answer was almost always the same. "Oh, lots. Not right now, but we have many, many tourists here."

Back at the Hotel Montaña, all was quiet. In the observation lounge, bored waiters in grey tuxedos shuffled from one foot to the other, waiting for customers. The furniture was period hi-tech, as if from an early James Bond movie. The high-backed chairs were not worn out but faded in the sun.

I sat with a cocktail reading the paper. A banner headline read: *Gran Futuro Por Turismo Salvadoreño*. More question, perhaps, than boast. I looked out of the plate-glass window across to the volcano, half expecting an answer, but the reply remained the same: unequivocal silence.

Mark Hodson

TRAVEL

Loved the Galapagos, loathed the red tape

***Richard Mooney** visits the Ecuadorian islands made famous by Darwin but discovers that a mouth-watering itinerary can prove deceptive*

IT SEEMED too good to be true. "Cruise the Galapagos Islands with Gerald Durrell," the advertisement said.

To visit the Galapagos archipelago, cradle of Darwinian evolutionary theory and home to many unique species, was a long-cherished dream; and to meet Durrell, naturalist, author and founder of the Jersey Wildlife Preservation Trust, had for 30 years been among my wife's fondest ambitions.

A call to Superlative Travel, the London agent, brought a mouth-watering itinerary by return post: three days at leisure in Quito (capital of Ecuador, of which tha Galapagos Islands are a province); a flight to the islands to join the cruise ship, followed by five days hopping between no fewer than seven of them; and return to Quito for Andean tours on the *final* day. So we booked. The cost was £4,998 for two.

The first change of itinerary came a few weeks later. We were told that over-booked flights from Quito meant we had to join the ship at the main port of Guayaquil, an hour's flight from the capital; sail the 600 miles to the Galapagos; and, on completion of the island-hopping, sail north to Costa Rica before heading homewards. That resulted in a two-day extension to the 13-day holiday – an inconvenience, but hardly a disaster.

The writing, however, was on the wall.

Ten days later we arrived in Quito and, having made contact at the airport with one other UK adventurer, were transported to the Grand Hotel Colon. We became uneasy at the continued absence of a detailed itinerary.

A telephone call to the office of Metropolitan Touring, which was handling the mainland phase of the holiday, and a request to speak to Paddy Romirez, named as local contact in our pre-departure information sheet, produced only consternation. An English speaker was found and the request repeated. Deeper consternation.

Eventually, someone was found who had heard of Romirez (apparently, he worked for another company altogether and was based in Dallas, Texas). More helpfully, someone else in the office knew the arrangements for that evening.

Contact having been established, the Andean tours (brought forward in the changed itinerary) passed off enjoyably and reasonably smoothly. Then came the time for transfer to Guayaquil and the high seas, or so we thought.

The air transfer was all right but the high seas had to wait. The ship had been unable to dock at the port and was sailing direct to the islands, to which we were to fly next day.

The morning saw the party, which had grown to five while in Quito, augmented further by two American passengers who were rejoining the ship after a spell of back-packing in Peru; and a Newfoundlander, Kevin, who was taking over as ship's chef. The three-hour flight seemed longer in the cramped light aircraft that had been chartered specially, and it was with some relief that we landed on the island of San Cristobal.

The ship had not yet arrived so we were put up overnight in a small hotel where Ernesto, a naturalist-guide, gave us an introductory lecture in the evening, laying particular stress on the restrictions under which visitors were placed.

Wildlife reserve areas could be visited only in the company of a licensed guide and visitors had to keep to the designated trails; no food was to be taken ashore; smoking was banned, as was flash photography; touching the animals was forbidden; and footwear was to be washed on departure from each island as a precaution against plant seeds being transferred and upsetting the fragile balance of their unique eco-systems.

Next morning, the odyssey was resumed with a five-hour trip in a small, slow and incommodious boat to the island of Española. Earth has plenty of things to show more fair than this featureless platform of volcanic rock, but dull would be the person unmoved by its inhabitants' extraordinarily relaxed attitude to humankind. And so accessible is its profuse wildlife that more species can be seen in an hour on Española than in a week almost anywhere else.

As soon as we dropped anchor, our dinghy was appropriated as a perch by two brown pelicans. And as this vessel ferried us ashore past marine iguanas, both swimming and sunning themselves sinisterly on the rocks, we were joined by a young sea lion showing ill-concealed delight at our arrival. This usher conducted us eagerly on to the beach, where lay a score of older members of his extended family.

It seemed that most of the neighbourhood had turned out to receive us. Frigate birds wheeled overhead; mocking birds hopped around us; Galapagos doves made more sedate inspections. Little lava lizards scuttled to and fro, going over, rather than round, lounging iguanas. A few yards away, a *Galapagos hawk* was *casting* a beady eye over the new arrivals.

Arriving back on San Cristobal after another tedious five hours at sea, we found the ship in the harbour and Patrick Shaw, the tour host, at the hotel. Within 20 minutes, we and our luggage wsre on board. The information sheet had said that the *Northern Ranger* was "comfortable but not luxurious," which turned out to be a fair description. Its appointments were what might have been expected of a craft designed to ferry fisherfolk and supplies up and down the Labrador coast during the northern summer. Accommodation was in cabins rather than suites, furnished with bunks rather than beds, and "facilities" rather than bathrooms. But it did have air-conditioning.

At that evening's briefing, the hand-to-mouth nature of the voyage's organisation began to become apparent. Shaw revealed that it had proved impossible to get permission for the *Northern Ranger* to move to any other anchorage during its stay in the archipelago. Thus, our trips over the next four days would, like our visit to Española, have to be conducted as return journeys on small Ecuadorian craft, restricting severely the scope of our expeditions.

Conversations with our shipmates, mostly elderly Americans and Canadians who had boarded three weeks earlier in Argentina, confirmed that confidence in the organisational skills of Blyth and Co., the Toronto-based cruise operator, had expired soon after the *Northern Ranger* rounded the southern tip of the continent. And a lengthening list of cancelled excursions and aborted landfalls had done nothing to revive it.

Somewhat daunted, my wife and I retired to the promenade deck. There, in the sultry darkness, the islands' enchantment began to work on us once more. As we watched sea lions hunting flying fish attracted by the ship's lights, our spirits rose. We were in the Galapagos; Gerald Durrell was on board (we had met his wife, Lee, but not yet the man himself); and, if not exactly cruising, at least we were afloat.

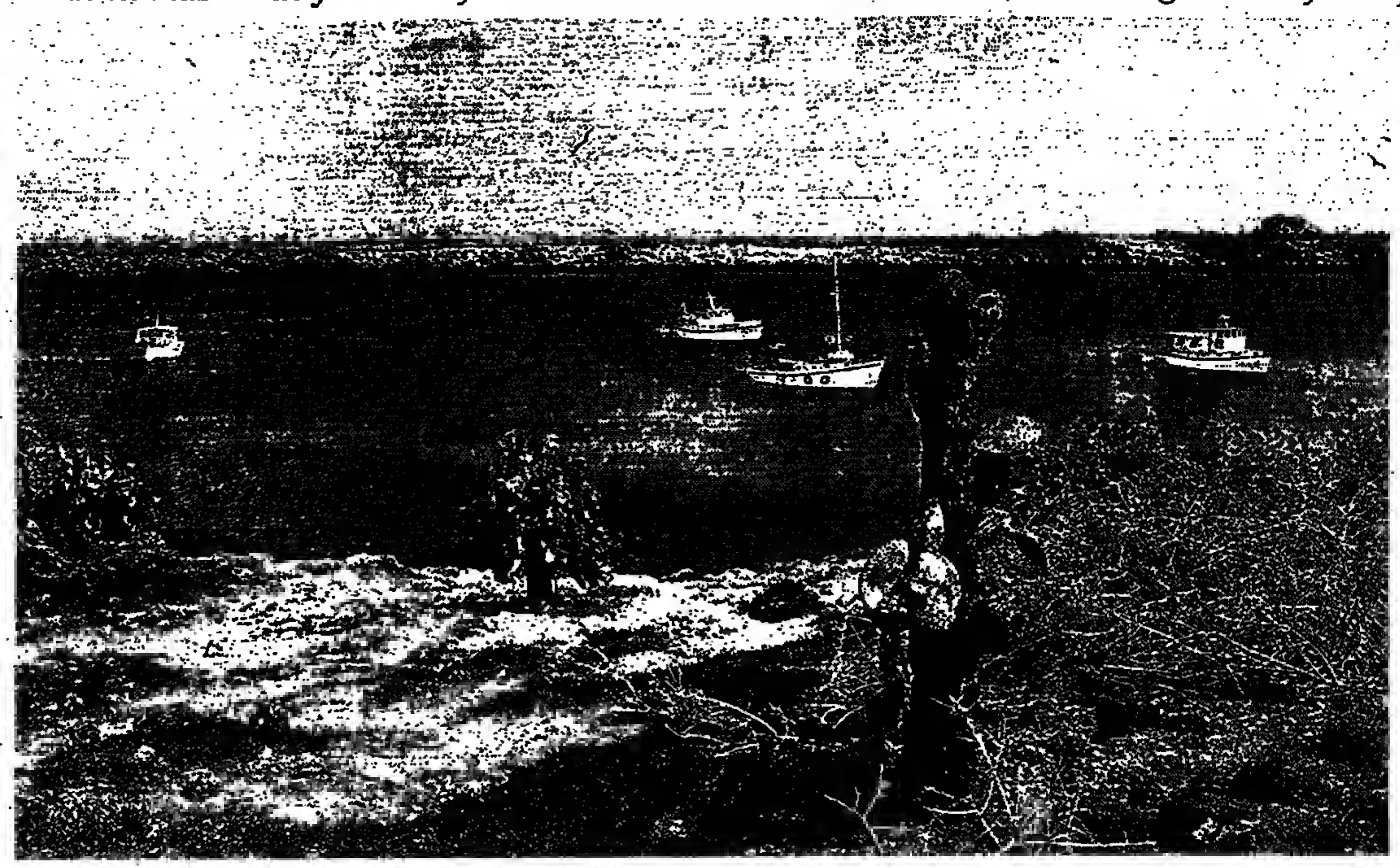
The next two days were spent very enjoyably – except for the sweltering, interminable boat rides – on visits to sites on San Cristobal (red-footed boobies, marine iguanas, more sea lions), followed by a crossing to Santa Fe island (land iguanas, more finches, still more sea lions) and on to Santa Cruz, where we were rejoined by the *Northern Ranger* before leaving Galapagos waters the next day.

What lay ahead was the two-day journey north to Puntarenas in Costa Rica, during which long turtle- and dolphin-spotting vigils would be interspersed with lectures and slide shows presented by Gerald and Lee Durrell (herself a noted naturalist).

The hurried manner of our departure from Santa Cruz (the captain had been given a deadline to depart, under naval escort if necessary, whether or not all his passengers and crew were back on board) underlined the basic problem that resulted in the uncomfortably *ad hoc* arrangements of our stay in the islands. We were not welcome. This is not to say there was any unpleasantness towards the visitors from individual Galapagans; anything but. It was between the organisers and the local authorities that the tension existed – and one had to admit the authorities had a point.

As the jewel in the crown of Ecuadorian tourism the Galapagos group is, understandably, guarded jealously. If this third world country is to maximise its revenues from the limited number of visitors the islands can sustain without irreparable harm to their ecologies, those revenues must be earned chiefly at sea. So, cruising the islands in foreign vessels is, effectively, banned.

On our return, I checked with a London-based firm, Twickers World, which has been taking tourists to the Galapagos Islands for more than 20 years. It confirmed that the only way to cruise the islands is to transfer on arrival to a licensed Ecuadorian vessel. So now we know. Next time we will make sure our trip is organised according to Ecuadorian rules.



Tourist boats in the Galapagos . . . if you want to cruise the islands without problems, make sure that you transfer to a licensed Ecuadorian vessel when you arrive

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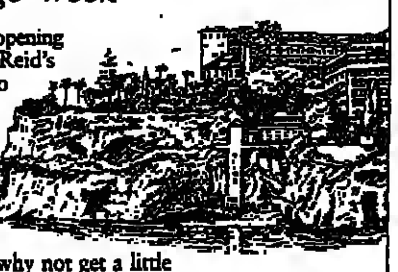

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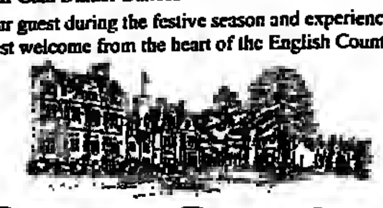

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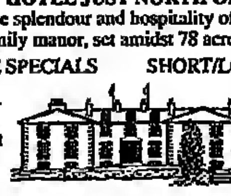

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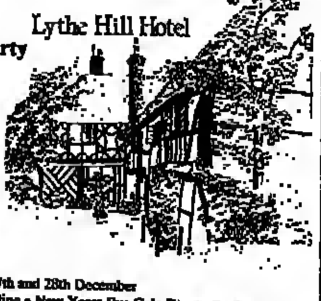

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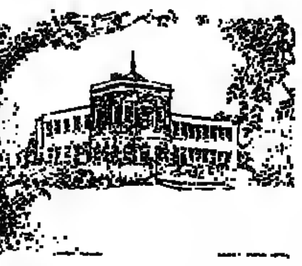

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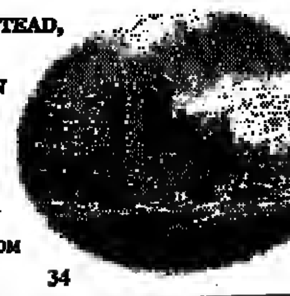

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Basketball / Patrick Harverson

Big boys come out to play

The US league starts without its biggest star. Who will replace Michael Jordan?

LAST MONTH, the day after Michael Jordan, professional basketball's biggest star, unexpectedly retired from the game at the peak of his powers, the former Boston Celtic player Kevin McHale said something shocking. He said that within a year or two, basketball fans would be asking: "Michael Who?"

The astute McHale did not mean to diminish Jordan's nine-year career, in which the Chicago Bull's guard won three consecutive National Basketball Association championships, three most valuable player awards, and seven consecutive scoring titles.

McHale was pointing out that basketball would survive the loss of its greatest star, that the memory of Jordan's greatness would soon be superseded by the reality of younger players reaching heights of their own, and that the memory of Chicago's three consecutive league titles would quickly be dulled by the rise of other teams to the NBA championship.

Among the tidal wave of hype and hyperbole that accompanied Jordan's retirement in October, McHale's remark was a refreshing dose of realism. Yet, it was also a trifle hyperbolic itself.

Jordan was more than just the best player in basketball. To millions in tha US and around the globe, he *was* basketball. Although others began the game's revival in the early 1980s, it was Jordan who helped make basketball the fastest-growing, most glamorous and sexiest, professional team sport in the world.

But, the league goes on without him, and his early retirement will make the new NBA season (which opens this week) the most competitive in years.

Although Jordan was always ably assisted by his team mates (whom he cheekily dubbed his "supporting cast"), the Bulls would never have won one championship, let alone three, without him. Now that he is gone, the few teams that came close to matching Chicago and Jordan in the playoffs in recent seasons – the Phoenix Suns, the New York Knicks, the Portland Trailblazers, and the Cleveland Cavaliers – have the best shot at winning the NBA title next spring.

Of those four, the first two will start as favourites to meet in the final, assuming the Suns' unpredictable leader Charles Barkley, stays fit enough to play and keeps out of trouble, and the Knicks' hot-headed heavyweights keep their collective cool when big games are on the line. Both Portland and Cleveland, however, look past their prime.

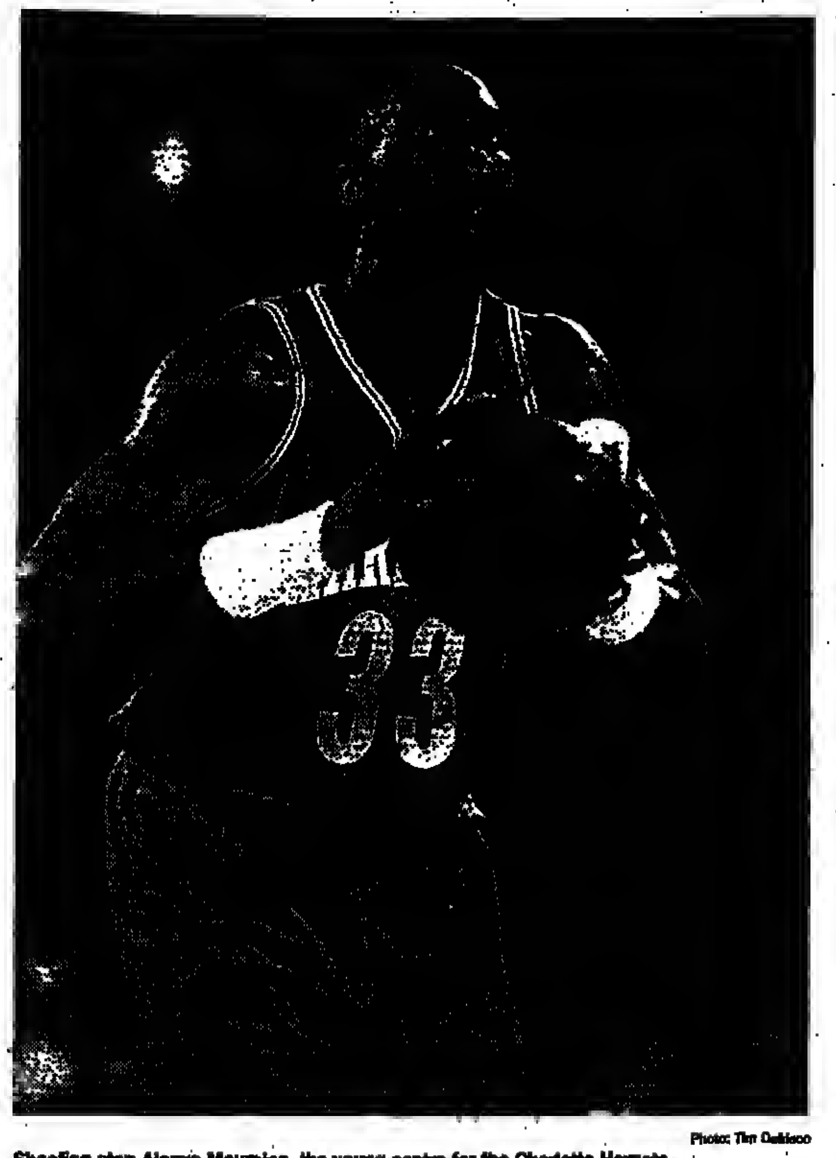

Photo: Tim DeFrisco

Shooting star: Alonzo Mourning, the young centre for the Charlotte Hornets

The Bulls themselves cannot be overlooked as contenders. They may have lost their maestro, but in Scottia Pippen they have one of the best five players in the NBA, and in Toni Kukoc, the recently signed 6 ft 11 in Croatian, they have a versatile playmaker who dominated European basketball.

Then there are a handful of teams which have flirted with success in recent years but which have struggled to progress in the playoffs, such as the Utah Jazz, Seattle SuperSonics, Golden State Warriors and San Antonio Spurs. Golden State could succeed, but only if their heralded new recruit from the college game, Chris Webber, plays to his potential.

There are also some outsiders, most of them built around young, unproven players. Teams such as the Charlotte Hornets, Orlando Magic, and New Jersey Nats possess some of the most explosive raw talent in the game, and represent the NBA's bright future. Yet, they remain works in progress, and it will probably be two or three years before they join the elite.

The NBA, however, has always been more about individuals than teams, and the most intriguing question this season is who will become the dominant personality of the post-Jordan era?

Barkley would probably regard himself as heir to Jordan's throne. Bull-shaped, bald-headed, and big-mouthed, the 30-year old Barkley is the NBA's favourite anti-hero. Fans adore his aggressive, highly physical play, but therein lies his wsakness. Already struggling with recurrent back problems, he is not sure how long he can last, and has already hinted that he may retire at the end of this season.

No, the NBA will have to look to younger stars for its next Michael Jordan. The Orlando Magic behemoth Shaquille O'Neal looks the obvious successor, not least because his sponsors Reebok, the shoe manufacturers, have already anointed him the world's newest sports phenomenon.

The 21-year old O'Neal (who will be playing an exhibition game in London this weekend) is what basketball coaches like to call an "impact" player. At 7 ft 1 in and 300 lbs, the Orlando centre made an impact as a rookie last year, scoring 23.4 points-per-game and dominating the most important part of the court – underneath the basket. O'Neal is quick, and very strong. So strong that he has twice pulled the entire basket, backboard and supporting rig to the floor during games with spectacular slam-dunks.

O'Neal was voted rookie of the year last season, but the player who came second in the ballot, Charlotte's Alonzo Mourning, displayed as much potential as his rival. Although smaller and lighter than O'Neal, Mourning plays the sama pivotal position of centre, and does so with great drive and aggression. He is quicker than O'Neal, a better dribbler and passer and a more accurate shooter. Aided by Larry Johnson, the rookie of the year in the 1991-92 season, Mourning is expected to lead Charlotte to a championship sometime this decade.

Barring serious injury, O'Neal, Mourning and Johnson should be the game's biggest stars (both in size and reputation) for some time to come. In fact, the big men should dominate the NBA well into the 21st century, because this season's top rookies, like Webber of Golden State and Jamal Mashburn of the Dallas Mavericks, share the same attributes of strength and size that distinguished last year's crop.

Eyes on the crown: Damon Hill is willing to drive on the ragged edge

Photo: Mike Hewitt

Motor Racing / John Griffiths

Mansell keeps the fire of desire alight

LIFE IN the US and on the IndyCar circuit has changed Nigel Mansell – outside the cockpit, at least.

After a year away from the political world of Formula One, Mansell has lost the wary defensiveness which appeared to make him the most miserable grand prix world champion on record. He is confident, relaxed and smiles readily. The paranoia has gone.

Today the only racing driver in history to hold both the grand prix and IndyCar world championships simultaneously might have been on his way to Adelaide to drive in next week's final grand prix of the season. With the IndyCar title tucked safely in his belt he was contractually free to take up offers from a couple of serious grand prix teams to drive in both the Japanese and Australian grands prix. That could have earned him close to £1m.

Instead, today and tomorrow he will be at Donington Park in central England, racing a Ford Mondeo touring car and one of the cheap but mighty Tuscans produced by the Blackpool sports car maker, TVR.

If he wins in the Mondeo he will earn £12,000 in prize money on top of the comparatively modest £100,000 Ford isthought to be paying him. TVR chairman Peter Wheeler, who will be racing against Mansell himself, says Mansell will be driving the TVR for "a couple of coffees and a bun like the rest of us".

If it is not for the money or prestige, I ask Mansell, is he doing the unthinkable by grand prix standards – and just driving for the hell of it? The grin that comes back is huge. He wants, he says, "to have some fun." Every driver will be risking all to beat him. The chances are that someone will. These drivers have raced together all season. They know their cars; each others' foibles. Whichever way it goes, Mansell is the, theoretically, loser. If he wins, that is no more than the world expects. If he is beaten, the popular press will have a field day.

But Mansell will give both races all he has. It is plain that even after all this time at the top, he would race dustbin lorries if there were nothing else to hand.

It is that undiminished desire to compete which, allied to his unquestioned track skills, explains so much of Mansell's success. His attitude this weekend is in stark contrast to the jaded tensions which envelope grand prix, and once again causes it to say goodbye to its new world champion, Alain Prost.

Prost's critics say that that he has lost motivation – that the fire has gone out. There was a fierce parting shot from Bernie Ecclestone, head of the Formula One Constructors' Association and the man effectively in charge of grand prix. "Nobody," he declared, "is bothered about Prost. Racing will go on without him."

It was understandable that Prost, 38, should take the attack personally. But the episode has a wider significance, it provides evidence of a shift in attitudes towards drivers. It is perceived that starting grids have become over-populated with overpaid, over-aged and too often under-committed drivers. Fearful of losing its huge audiences and sponsorship, grand prix has tended to cling to its established stars. But this year in the absence of one of Mansell, it has found out how quickly, among the public, new heroes can supplant the old.

At the Portuguese Grand Prix in Estoril, Prost's young fellow Williams driver Damon Hill started from the back of the grid, Hill scythed his way through the field and was only seven seconds behind Prost by the end. Between them, Hill and Prost display most of the ingredients which go to make up successful racing drivers.

Prost is nicknamed "the Professor". His approach has become wholly scientific. In Prost's world, a racing car driven with its tail hanging even slightly out is a car wasting energy which should be propelling it forward. Prost is the ultimately "tidy" driver.

But that very precision has frequently been called boring. So has been Prost's wholly rational philosophy of winning races at the slowest possible speed and least possible risk.

Prost has mostly won from the front this year in a car universally acknowledged to be the quickest. Had the Williams-Renault proved vulnerable, few would have expected Prost to tiger his way round any performance deficit as Michael Schumacher has done so brilliantly in the Benetton.

Hill, in contrast, has everything to play for. His natural talent and innate car control are not in doubt. But nor is that of Hakkinen, Schumacher, Jean Alesi, Rubens Barichello and several others among the up and coming F1 driver crop.

Both young and old guard are, almost without exception, physically fit. There is no choice if massively variable forces of up to 5g are to be survived for nearly two hours.

Where they differ is in commitment – the willingness to go out to the ragged edge, and occasionally and expensively beyond, in seizing any and every overtaking opportunity.

Only a very few, such as Mansell and Senna, retain their aggression undiminished – Senna sometimes off the track as well as on – as Mansell's kamikaze antics on Indy's ovals have shown. Cliché it may be, but grand prix drivers require courage. But then, back in the early 1980s, former world champion Nicky Lauda could be heard talking about the enthusiasm and "madness" of his young team mate, Alain Prost.

A cut above: the BMW M3 is the ultimate BMW 3-series coupé

Motoring/Stuart Marshall

BMW, a touch special

THERE I was, convincing myself that the only things needed nowadays when assessing a car were to check the price and look at its environmental, safety, security and recyclability credentials before making a judgment.

Then, BMW (GB) spoilt it all by asking me to try its latest wares: a 325i Convertible and M3 high-performance saloon, both with manual gears; and a 325tds turbo-diesel and 840Ci coupé, both automatics.

Never mind what the letters on their boot lids said; for me, they were all SE models. SE, that is, not for special equipment but for sheer enjoyment.

What is it that makes a BMW – any BMW – a touch out of the ordinary to drive? The company talks about the cars being an extension of the driver's nervous system. It sounds a bit pretentious, but it must be near to the truth because I do find myself striking up an instant rapport with a BMW.

There is an eagerness about a BMW, a desire to please a driver who enjoys making a car go well without in any way wishing to behave like a hooligan. The highway, after all, is public. It has to be shared with the less fortunate driving ageing family hatchbacks. (Or, on the roads behind Nice where I sampled the BMWs, the occasional out-of-season tourist in an unwieldy camper van).

The 325i Convertible I tried first was a real south-of-France car. In late October sunshine, with the top down, it was sufficiently draught-free for short-sleeved autoroute driving to be a pleasure. With a strongly reinforced body shell, it felt stiffer than many soft tops, flexing only slightly on rough mountain roads.

The power-operated top disappears completely. Pop-up roll bars behind the rear seats, and a massively strong windscreen surround, protect the occupants' should the car overturn.

The price is £28,000 but this year's production is sold out. BMW (GB) expects at least 500 Britons to buy one next year.

Next, a bright yellow M3, a two-door hard-top with a three-litre engine. The top speed is said to be 160 mph (258 kmh). From 0-60mph (0-96 kmh) takes but 5.4 seconds and the average fuel consumption, should any owner really be interested, is 31.5 mpg (8.96 l/100 km).

None of these claims can, realistically, be tested during an hour's drive on mountain roads. What I can say is that the fat-tyred M3 was nervously responsive to the slightest movement of the steering wheel; cornered with total security at absurd speeds; and, in fifth gear, trickled through villages slowly and so quietly enough that the boule players did not look up. What more could a sporting driver with family responsibilities (and £32,450) ask for?

Before going into diesels, BMW always maintained it was not prepared to sacrifice refinement or performance. In other words, a BMW diesel would be a BMW first, a diesel car second. Well, if you can afford it, the 325td (from £18,950 list price) is the best medium-sized diesel for a mix of performance and refinement. The 325tds, with an intercooler as well as a turbocharger, raises the stakes higher still.

It has an extra 28 horsepower on tap (143 against 115); a higher maximum speed (133 mph/214 kmh compared with 123 mph/198 kmh); and even a slightly better average fuel consumption of 42.2 mpg/6.7 l/100 km (40.9 mpg/6.9 l/100 km).

The 325tds four-speed automatic I tried turned like a polo pony and sounded ultra-refined. Only a distant chuckle under the bonnet at start-up gave the game away. At £22,250, this is the car for the business motorist who believes in cutting his consumption of fossil fuel but wants full enjoyment from driving.

Finally, the 840Ci. When first I drove the original V12-engined 850Ci I was slightly underwhelmed; the handling was not quite right. That was three years ago and I am prepared to believe that much may have changed.

But my first experience of the 840Ci – essentially the same car, but with the latest four-litre V8 and, in this case, a five-speed automatic transmission – was different. It is a wide vehicle, but so sharp is its handling that it seemed within minutes to have slimmed. As easy as a family saloon to drive, it swept up and down curving D-roads with panache.

Standard features include traction control, air-conditioning and a 12-speaker stereo. BMW (GB) expects about 100 people to take delivery of a £52,950 840Ci next year. If only I could be among them.

Minister for a Day

Digging out of little England

***Edwina Currie**, a former junior health minister, picks up the European portfolio*

IF I were minister for a day I'd probably weste most of it recovering from the shock. I spent much of my first day last time on the phone to my mother, trying to explain what a minister really does. I still don't know, but at least now, were I Minister for Europe for a day and properly equipped with a magic wand, I'd make one hell of an impact. They would still be talking about it years later.

For a start I would order the commencement of the next channel tunnel, at once. The first one is nearly finished and will be packed out from day one, at least as soon as the French can get their trains running. Our side will take a bit longer. Bnt already 24m Britons e year stream abroad and the ferry companies are busy buying bigger boats, convinced that the tunnel won't pinch business but encourage it. The moment the new hole is packed solid with sweating weekend commuters wa will start demanding a second one alongside: and thet will take years. So I would get digging right away, and lay the plans for the third tunnel in due course.

While we are at it, I'd make the French TGV compulsory throughout the continent. It will be anyhow, sooner or later, its silver snakes hissing through long tracts of countryside carrying passengers at 300kph, so I'm going to take the credit for it. I said this in Germany recently – after my train from Leipzig to Frankfurt left an infuriating 20 minutes late without explanation, which produced some long faces, for the French have just beaten the Germans for a lucrative contract in Korea.

What is good enough for the Koreans ahould be fine for us, especially if we add British Rail's posh grey and pink velour, cheerful Asian ticket collectors and splendid habit of running lots of only slightly slower trains all over the place.

And now you can see what I'm planning. The Romans did it first: create communicatione links between all your centres, and you foster a feeling of wholeness, where nowhere is too far away, and everywhere counts. Trade, commerce, tourism, and friendship all increase with ease of access: nothing would be e greater unifying element, or bring more pleasure to more people.

I'd add fibre optic cables alongside the rail track and satellite dishes (or whatever is needed) at suitable points, so that I could use my car phone throughout Europe cheaply, instead of heing held to ransom on a bad line. And I'd insist that all post be delivered in a day, with no excuses, even across frontiers: if it takes only 90 minutes to fly from Birmingham to Berlin, why on earth did it take my postcard four days to get back?

Now I am getting into my stride. Danish teachers would find themselves herded on to boats headed for ell parts of Britain and refused home leave for five years, until they had taught the British how to speak several languages et once, fluently and with comprehensible accents. In return, 20,000 British teachers, chosen for their courage in standing up to the education secretary would be rewarded by equally long-term trips to the former east Germany, Poland, the Czech Republic, Hungary and points east, with a brief to stay put until the good souls of those countries had grasped basic English.

Edwina: 'Start tunnelling now'

Then, when the European Community has grown to 20 countries with 16 languages – at which point the cost of translation will have overwhelmed the Brussels administrative budget – the nations will plump for the most obvious language, which (if I am successful) will, of course, be English.

I liked the idea of a member of the staff of the British Embassy in Bonn: that the news should be compiled nightly not from the unadulterated offerings of the BBC or ITN, but from all the main news stations in Europe, with sub-titles. Most of the time the different reports might be from separate planets. It would give us all a rude shock, and much to think about, if we realised how wide the gaps in perception still are between supposedly friendly countries. Then maybe we would all be driven to understand before we criticise quite so freely.

One pet project is probably already bubbling in some Brussels bureaucrat's fevered mind. Gazing at the superb restored buildings emerging from scaffolding in Leipzig in former east Germany, I understood why Berlin is still such a derelict mess.

There just isn't enough money to go around, even in the richest nation in Europe. Heaven knows how they're managing in Prague or Budapest; meanwhile the villages of Romania crumble from neglect and fine old churches up and down France and England appeal without bope for funds.

Can't we have a Heritage Fund, a substantial sum year by year, to help save the architecture and artifice of a bygone age which made Europe great? No one country can afford to do even their own, yet the citizens of all can enjoy the results. An International National Trust, if you like.

It could be paid for easily by scrapping the Common Agricultural Policy, though the French would have to be allocated more than their fair share for a while. However once they realised that far more people could be employed renovating Tours Cathedral and the like than looking after subsidised cows, they would be happy.

Churchill got it right, in The Hague at the first Congress of Europe in May 1948 when he spoke of "progressively effacing (the) frontiers and barriers which aggravate and congeal our divisions, and...rejoicing together in that glorious treasure of literature, of romance, of ethics, of thought and toleration, which is the true inheritance of Europe."

Yes, that's it. If I get my way, in my one special day, that is what we will do.

Why costs don't count

*FT political editor **Philip Stephens** on every parent's fear*

THIS IS a good story about the National Health Service: about NHS doctors, nurses and administrators delivering unrivalled standards of care and efficiency. Sadly it may turn out to have an unhappy ending.

It starts with a personal experience: the only sort that counts in an age in which we too often judge the worth of our public services in terms of financial bottom lines and cost-benefit analyses.

My three-year-old daughter Jessica has a beart complaint. It was spotted two years ago by a diligent GP treating her for a particularly nasty cold. Since then she has been an out-patient at Guy's hospital.

Until this summer regular checks at the hospital's department of paediatric cardiology had sbown the coodition – a narrowing of the aortal valve – was stable. At some stage she would need an operation – and eventually a heart valve transplant – but the longer it could be left the better the prognosis.

Two months ago came the bad news. The latest check had revealed a sharp deterioration in the pressures inside the valve. Jessica would need at tbe minimum an exploratory operation and perhaps direct intervention to widen the valve.

That, as every parent will know, is when the panic started. But in our case it was also when the NHS showed its worth.

Jessica was summoned back within days so the consultant in charge of her case could conduct the tests again personally. The results were the same. We were told she would have to be admitted.

'People and resources, not structures, were the key'

Giving us all the time we needed, the consultant explained the diagnosis would be rechecked under general anaesthetic and, if necessary, the valve stretcbed by the catbeter "balloon" technique pioneered at Guy's during the 1980s and now used to treat even unborn babies.

Then came the bad news. Jessica's case was serious but not an emergency. She would have to go on the waiting list. Her consultant was not quite sure bow long that would be. But obviously the sooner the operation was done the better. The risk of damage elsewhere in the heart meant it should not be left longer than a few months. Instantly, images flooded our minds of Jessica suffering heart failure while waiting for an NHS bed.

It was at this point that our preconceptions crumbled. Fearful of delay we explored the option of having the operation done privately. Like many cynics I had always assumed that consultants – especially in high-tech specialisms – would never pass up the chance to switch patients from NHS to private lists. And such is the standing of paediatric cardiology at Guy's it already attracts private patients from around the world. I do not have private medical insurance but what's a few thousand pounds or so in such circumstances?

I was wrong. The doctors caring for Jessica advised us to wait. Why not see if an NHS bed came up. And if we wanted a second opinion, no problem. All Jessica's notes would be faxed to whatever consultant we chose.

So we contacted tbe senior paediatric cardiologist at the Hospital for Sick Children in Great Ormond Street. Since we wanted to see him within days we were quite willing to pay. No need. He would fit us in outside his normal clinic – but on the NHS. His advice - delivered without regard for what must be pretty valuable time – was to stick with Guy's. We should not worry about waiting up to three months. Beyond that we could re-explore the options.

From here on in the story gets still hetter. Guy's came back with an early date – the waiting list was not as bad as feared. Jessica had her catheter examination and the valve turned out to he in hetter sbape than expected. With luck, major surgery will not be needed until she is much older. By tben the technology will have advanced still further.

During a few days as an in-patient her treatment – from doctors, nurses, technicians and everyone else – was exemplary. We saw for ourselves what the combination of sophisticated equipment and a caring medical team can produce. In many other places the only option would have been open beart surgery, with all its attendant risks.

So what moral should be drawn? It is not, I am afraid, that the government's reforms have transformed the health service. Guy's may or may not have become a bit more efficient since it became e joint bospital trust with St Thomas'. But it worked for Jessica because of the dedication of staff and availability of expensive but invaluable equipment. People and resources, not structures, were the key.

Jessica: treated by dedicated staff with invaluable equipment

It is here that we come to our fears of an unhappy ending. In spite of its envied reputation, there are strong rumours that a number of Guy's high-tech specialisms, including paediatric cardiology, will all but disappear through the merger with St Thomas's. All London hospitals must save money. Individual units may be a national asset at the leading edge of medical research. But things like that tend not to show up on the cost-benefit analyses of trust bospitals. Nor, it seems, is there any strategic authority ready to make the wider judgment. Next time Jessica needs an operation, I fear it will be an altogether different story.

Wines

A wizard of Oz weaves a spell in Italy

***Jancis Robinson** meets a very well-travelled moustache*

THE FIRST time I spoke on the telephone with South Australian wine-maker Geoff Merrill, he was still recovering from cricketer Ian Botham's most recent testimonial. He had got to bed at 3.45am and had to he on a 7.55am flight to Rome. He made it.

Thus, he kept his promise to Sainsbury's, the UK supermarket giant, to see some Orvieto and Frascati fermentations bubbling away before turning his hired Lancia north and driving 680 km to position himself in readiness for a hard spell of wine-making the next day. "I've been told I must have been the most photographed person in Italy last September, the speeds I've been doing on those autostradas," he told me. his

Merrill is one of those characters whose reputations precede them. Somehow, our paths had never crossed – a lack of cricketing expertise on my part, perhaps – and I was all prepared for Les Paterson incarnate. What I got was a silk-shirted charmer with flowery waistcoat, a bunch of irises and a handlebar moustache.

Sainsbury's, the most sober of the supermarket chains, has hired Merrill to inject some Australian "fruit-driven" character into an array of Italian wines made at premises owned by Gruppo Italiano Vini, Italy's most dynamic group of co-operatives. According to witnesses, the facial expressions above the Italians' Milanese suits when Merrill was presented to them were wonderful.

What Merrill did not realise when he took on the job is quite how long he would spend in the Lancia between what turned out to be seven different wineries from Rome to the Alps. In one 24-hour stretch, he drove 1,600 km.

"I had to work even harder in Italy than I do back home. There, you just ring up and get answers to 'What's the sugar level? Any sulphide on the nose?' You can't in Italy. You have to jump in your car in Trento and drive to bloody Rome and back."

Merrill swears he loves the Italians, though. Great people. Great food. Some great wines, especially Tuscan reds. "The elegant tannins in those Antinori wines. That's what I'm trying to go for at home. I'm not a big rap for Valpolicella, mind you, but I liked those – whaddyacall them? – Amarones. That's all I drank up there [in Valpolicella country]. Fifteen per cent alcohol, mind you. Not very clever, was it?

Geoff Merrill: 'The way those guys eat lunch!'

"The only thing is, the way those guys eat lunch. You can forget asking someone to give you a reading at five to twelve. Or put some Chardonnay into oak on a Saturday, even if it's really ready for it. Could be the start of the shooting season, or something really important like that.

"And d'you know what? At six o'clock, they go home! Chief wine-maker came up to me at the end and shook my hand. 'You work very hard,' he said. Well, I wouldn't want it any other way."

Merrill's main amendments to the Italian wine-making recipe have been to ferment cooler and use different yeasts, all the time trying desperately to protect the embryonic wine from oxygen, the obverse of Italian philosophy. "In terms of machinery, Italians have got it all. But what they don't have is enough refrigeration, and it can be hot out there."

Merrill claims he took on the job to keep sweet e very important British customer for his own Mount Hurtle Australian wines. Sainsbury's, on the other hand, realised that only someone who was his own boss would be allowed out.

This is not the first time an Italian winery has seen the arrival of a "flying wine-maker" during the quiet season down under. The ubiquitous Jacques Lurton turned out some Basilicata wines last year, and Ricasoli of Tuscany had a little help from South Australia. This year Gaetana Carron, formerly of Rosemount (Australia), Trimbach (Alsace) and Concha y Toro (Chile), has been working the vintage all over northern Italy.

Sainsbury's buyers are flying to Verona on Monday to choose from the Merrill/GIV Bianco di Custoza, Pinot Grigio, a couple of Chardonnays, a Veneto Sauvignon, e Cabernet or two, a Teroldego, a Frascati, an Orvieto, and trials of varietal Grechetto and Verdello, two of Italy's less exposed grape varieties. Deciding how to market them might be even more difficult, though. A Vino Merrillo label? The Ozitalia range? Or GIVusabeer?

■ *Footnote: Merrill must have found it difficult to improve on GIV's Chardonnay delle Tre Venezie (£3.59 Sainsbury's). Best Merrill buys are vehemently Australian. Mount Hurtle Grenache Shiraz 1992 (£3.99 at Oddbins and £4.15 at Sainsbury's) is a juicy antipodean answer to early-drinking Côtes du Rhône. Cockatoo Ridge Chardonnay 1993 (£4.19 at Oddbins) combines body with vivacity. Mount Hurtle Grenache Rose 1993 (£4.95 Sainsbury's) shows us what most Tavel is not.*

Spirits

Homage to Catalonia

***Giles MacDonogh** finds French elegance in Spanish brandy*

THE BRITISH spirits drinker is a wretchedly conservative beast. Take brandy. This means cognac or, very occasionally, armagnac. Sometimes, it means rather cheap French grape brandy mixed with soda in the pub; but this is less e matter of choice, rather the chicanery of brewers who count on the drinker asking for brandy, not cognac.

Spanish brandy is something else altogether. In Jerez, where 90 per cent of it is made, they add such flavourings to the casks as sweet, boiled grape must, caramel and cane syrup, or anything else which might give the spirit some individuality: plums, apricots, prunes or, in some cases, even nuts. The result is that many Spanish brandies have big, sweet fruit flavours of the sort which the Cognaçais finds vulgar.

Spain has another brandy producing region, though: Catalonia. And here the spirits are made in a tamer, more elegant French style. The biggest Catalan producer is the Miguel Torres winery at Villafranca del Penedès, near Barcelona. It started making brandy in 1928, mainly to supply the important local market: in Spain, workers like a slug of brandy in their morning coffee and are not too fussed about its quality.

Torres, however, has moved steadily up-market over the years and now makes some of Spain's most prestigious wines. Sooner or later, the brandy had to follow the same path – out of the column stills, which made spirits for the workers, and into the expensive pot stills from Cognac which produce a refined spirit more appropriate to the dinner table.

Torres makes six brandies and a sweet liqueur based on brandy and oranges. The first two brandies in the range, the Solera Select and the Gran Reserva (known as Torres 5 and 10), are produced in continuous stills and matured according to the solera method where older casks are topped-up constantly by younger spirits.

In Spain, workers like a slug of brandy in their morning coffee

Fontenac is the cheapest of the pot still spirits and spends four years in American oak casks. Miguel Torres is aged for eight years in French oak. Then come the two brandies at the top of the range: Miguel I, aged 10-12 years in French oak, and Honorable, aged 15-20 years. Only limited amounts of each are made, and both are rather expensive.

The 5 and 10 are produced from the trinity of grapes responsible for the sparkling wines of the region: Parellada, Macabeo and Xarel-lo. The better brandies are made from a pure Parellada, with the exception of Honorable which is distilled from the cognac grapes Ugni Blanc and Folle Blanche. Almost certainly, Parellada is responsible for something of the difference of character between cognac and e Penedès brandy.

Unless the grapes are picked early (as they must be for brandy), those on the Parellada vine achieve monstrous size, averaging more than a kilo a bunch. Flavour is not their strong point. At 70 per cent, I imagined I could smell the Catalan breakfast doughnut or Xuxo in its slightly sweet bouquet; but maybe I was simply hungry. After prolonged ageing in Limousin oak casks, however, the spirit sheds this sweet character and mellows into something very delicate and much closer to cognac than I might have imagined.

This was amply proven by the blind tasting of three brandies I did with the distiller Matias Llobet. The first flight of three brandies were all dark spirits.

The first two, with their sweet, caramelly or raisiny bouquets, clearly were Spanish – and Jerezanos too. But the third? Though a deep mahogany, the nose was subtle and the palate grapey. This was the Torres 10. The others were Osborne's super-popular Magno and Domecq's Carlos III. In the second round, the same Torres brandy also trounced the tarty three-star cognac from Courvoisier.

Three more brandies appeared in the next flight. The first I found a little short on the nose, but elegant and structured nicely on the palate. The two rivals scored better on the nose but, on tasting them, they were fiery and slightly coarse. The results of this round were revealing: the smoothest was Miguel Torres brandy; the others were VSOPs from Hennessy and Martell at £5 to £10 more a bottle.

Three more brandies appeared in the next round. The first had a superb bouquet: nuts, prunes, oranges and orange blossom; a classic example of what the Cognaçais call *rancio*. It was lovely to drink, too. The second was also exquisite just to sniff, but less impressive to drink. The third paled slightly before the first two: not in the same league. It was Miguel Torres. The first two were Martell Cordon Bleu and Hennessy XO at three and four times the price. It clearly does not pay to be conservative as far as brandy is concerned.

■ Torres 10 is available in the UK from Moreno Wines (tel: 071-286-0678 or 071-723-6897) at £13.99, or from branches of the North-Eastern Co-op at £11.85. Miguel Torres brandy is £19.95 from Moreno; £20.30 from Rackhams of Birmingham (021-2363333); or £22.50 from Selfridges (071-629-1234).

Appetisers / Jill James

THE Lanesborough hotel in central London will be hosting an Italian festival with guest chef Giuseppe Vitaglione (from the Il San Pietro di Positano in Amalfi) cooking from November 23 to 28.

The first 20 *Weekend FT* readers who book lunch or dinner there that week will be offered a free bottle of Antinori's Poggio Alle Gazzio (white) or Le Volte (red) which normally retail at £27.50 and £35 in the restaurant. Tel: 071-259 5599.

■ To add to the festive scene in London, a Taste of Indonesia festival was launched this week at The Lowndes, a Hyatt hotel in Belgravia. Chef Karno Suwito has flown in from the Hyatt in Jakarta to help direct operations in the kitchens. A three-course meal with Indonesian beer should cost about £25 per head although real gourmands might like to try the traditional *rijsttafel* of more than a dozen different courses. The festival runs until November 21. Tel: 071-823-1234.

■ Holme Farmed Venison has set up a mail order business. The company, based at Holme House Farm, Raisbeck, Penrith, Cumbria, CA10 3SG, has developed a range of products which can be eaten all year round including venison haunch steaks, sausages, burgers and casserole in red wine. Products arrive ready for use or freezing. For details tel: 05396-24618 or fax: 05396-24551.

■ Finally, you do not have to be toothless or aged to enjoy *The Oldie Cookbook* by James Page-Roberts (The Carbery Press, £5.95, 224 pages) which is full of simple, value for money recipes.

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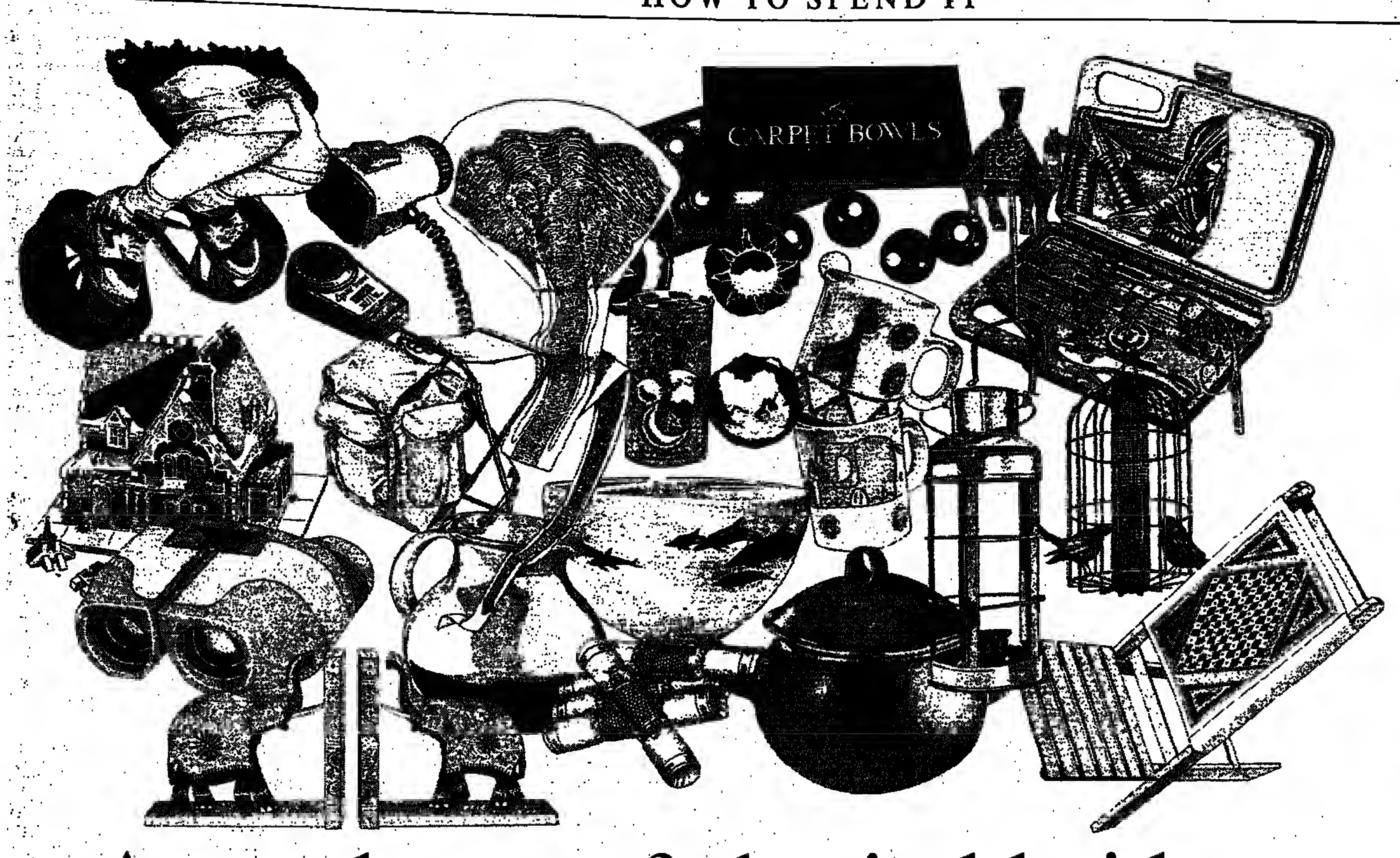
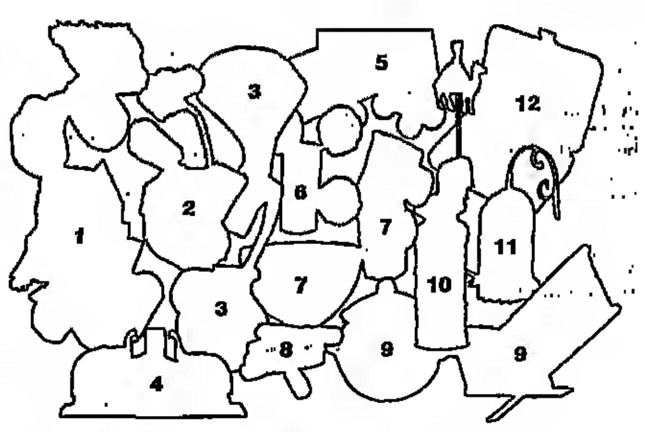


1. Moon-boots to bounce on (they work like mini trampolines), £29.95, powerful mini zoom binoculars, £99.55 and a build your own jigsaw, £17.50 all from Brainwaves from Childline.
2. Bicycle alarm with siren noise and flashing fights, £5.99. Folding fishing chair and rucksack all-in-one. £16.99. from the NSPCC.
3. Cool blue jug, £24.95. Elephant kite from Thailand made with mulberry paper on a bamboo frame, £5.95, both from Oxfam.
4. Hand-painted wooden elephant bookends, £12.95 from Water Aid, PO Box 10, Gateshead, NE8 1LL. Tel: 091-487-0399.
5. Carpet Bowls, £25.95, from Great Ormond Street Children'e Hospital Fund.
6. A juggling set based on the solar system, £8.99, from The Imperial Cancer Fund.
7. Mugs hand-painted with designs taken from decorations on huts of the Ndebele tribe in South Africa, £8.95 each. Mouth-blown, sand-blasted lead crystal dolphin bowl, £129 from Lifewatch.
8. Elegant white, silver and gold crackers, £12.50 for 12 from NSF.
9. Handsome ceramic Pomaire casserole, £14.95; folding slatted wood chair with a leather back from India, £48.95.
10. Painted metal camel candlestick £7.99 and brass lantern, £11.99 from the Notting Hill Housing Trust.
11. For would-be ornithologists – a nuttery designed to feed the birds and thwart the squirrels, £24.95 from the World Wildlife Fund.
12. For nervous - or wise - travellers, the 30-piece emergency kit for motorists, £22.99 from the British Heart Foundation.
DRAWINGS: Ashley Lloyd



A catalogue of charitable ideas

Lucia van der Post explains how to help a good cause and give pleasure to your friends

CHRISTMAS is coming ... and the catalogues are getting fat. For all those who believe in planning and plotting it is time to sit down with pen and pencil and send off for the catalogues of your choice.

For those who prefer to spend their hard-earned pounds where they believe they will do the greatest good, here is a list of some of the best-known and most deserving charities that you could support this Christmas:

Notting Hill Housing Trust, 26 Paddenswick Road, London W6 0UB. Tel: 081-563-5000. Catalogue free or available from any of the 13 trust shops.

A charity that aims to help house those most in need. Although it manages some 10,000 homes, there are still about 37,000 homeless families in London.

The catalogue is very small – useful for those who do not like being confronted with too much choice – well-edited and offers a few really attractive presents at good prices. Camel candlesticks, 40cm high (sketched here) are £7.99 each and there is an equally attractive elephant and fish version.

There is a charming pure white cotton night dress, (£21.99), cotton lace cushions covers at £7.99 and pillowcases at £10.99.

Imperial Cancer Research Fund, Freepost, PO Box 48, Burton-upon-Trent, DE14 1BR. Tel: 0283-512040 for a free catalogue.

Many people's favourite charity, here supporters can buy most of their *Christmas* essentials – from crackers (*much* better designed this year) to cards, papers (look out for a particularly chic black and gold design), ribbon and decorations to plum pudding and fruit cake.

When it comes to presents there is nothing very beautiful but quite a lot that is useful – a wooden indoor croquet set (£34.95) would be handy for the country-house set, fleecy-lined slippers (£12.99) useful for those who live in draughty houses and the *AA Guide to Short Walks to Country Pubs* (£8.99) could inject some fun into the life of ardent fell-walkers.

Great Ormond Street Children's Hospital Fund, PO Box 20 Tanners Lane, Barkingside, Ilford, Essex 1G6 1QQ. Tel: 0268-288577. Catalogue free.

As many already know, this charity halps towards the treatment and care of seriously ill children from all over the UK. A small selection of the Christmas staples – cards, crackers, wrapping paper et al – and an equally small selection of presents. Choose from a wooden two-piece duck clothes brush (£9.95), a set of carpet bowls (£25.95), mystery games (£15.99), key-rings, pens and the like.

Oxfam Trading, Murdock Road, Bicester, Oxon OX6 7RF. Tel: 0869-245011 for a free catalogue.

Profits from catalogue sales go to help local craftsmen and women in poor areas of Asia, Africa, Latin America and the Caribbean. Last year's profits helped to start marketing initiatives in India, a shop in Thailand, training in Sri Lanka and Bolivia and a refuse cart in El Salvador. Lote of colourful ethnic crafts ranging from a brilliantly coloured cotton canvas director's chair (£39.95) to a tapestry kit based on Oriental rug designs (£37.95).

Levels of taste vary so there ought to be something for everybody. Particularly appealing were the decorative Peruvian mirror (£25.95), charming safari mugs 9£7.95), some wonderfully old-fashioned striped pure cotton tea-towels from South India (£5.70), rugs from Kashmir, Peru and Pakistan, and quite a good selection of toys. There is a separate catalogue which features its cards, wrapping paper, calendars and diaries – available from the address above.

NSPCC Trading Company, PO Box 39, Burton-on-Trent, DE14 3LQ. Tel:0283-510111. Catalogue free.

Big selection of Christmas cards, papers and gift tags, and a useful, if unexciting, selection of presents – personalised pens, aromatherapy oils, scented drawer liners and hangers, luggage straps and cassette carriers. A choice of gadgets for the gizmo fancier – alarm lights, hand-held sewing machine, lanterns with in-built alarms and so on.

Brainwaves from Childline, Freepost SU 361, Dept 5317, Hendon Road, Sunderland, SR9 9AD. Tel: 091-514-4666.

Some really splendid presents for children – from jigsaws to a box of science tricks (£7.95), lots of models to build, a working camera to make (£16.95), bubbles to blow, old-fashioned clay building kits (£45) and traditional games to play (£22.50).

World Wide Fund for Nature, PO Box 49, Burton-upon-Trent, DE14 3LQ. Tel:0283-510344 for free catalogue.

Cards, calendars and wrapping paper, much of it on a furry note, and a wide range of animal/conservation slanted presents. A tropical rain forest puzzle (£9.99), wooden Noah's ark (£19.99), duvet covars, cushion covers, t-shirts all embellished with colourful sigus of wild-life from a dolphin to a complete range of jungle life.

British Heart Foundation, Heart Cards, PO Box 45, Burton-upon-Trent, DE14 3LQ. Tel: 0283-512040. Catalogue free.

Some splendid suitably traditional cards, lots of ornaments, ribbons and decorations, press-out Christmas books, candles and a rather limited selection of predictable presents as well – personalised pencil sets, name tapes, pot-pourri, scarves and ties. For a keen cook the stainless steel fish poacher (£28.95) makes a handsome present.

Traidcraft Interiors, Kingsway, Gateshead, Tyne & Wear NE11 0NE. Tel: 091-491-0591.

This catalogue may be slightly less useful as a source of Christmas presents than for finding well-priced attractive things for the house. It is a welcome change from the other catalogues, many of which clearly buy from the same sources, this catalogue has an original, fresh selection of very attractive things.

Apart from more substantial household objects such as chests and rugs, wooden cabinets (a charming verdigris finished version for £44.95) and chairs, there is a charming selection of appliqued Indian bedspreads (most children would love the elephant one, £34.95), a delightful stuffed fabric doll from Thailand (£14.95). There are colourful mirrors (painted glass frames as well as carved wooden ones), a beautiful hand-painted ceramic bowl (£36.95) and some wonderfully ethnic coconut shell salad servers (£4.95).

Lifewatch, Freepost, SU361, Hendon Road, Sunderland, SR9 9AD. Tel: 091-5142777 for a free catalogue.

The usual collection of sweat-shirts, t-shirts, calendars and notebooks all on a wild-life theme. Some particularly horrible gorilla feet slippers which I guess children would adore (£7.50), some almost as gruesome wind-up creepy-crawlies (£9.95 each), silver-plated elephant cuff-links (£17.50), a fine owl needlework kit cushion cover and a highly attractive 1,000 piece "Happy Animals" jigsaw which should keep the family occupied during the holiday period.

One or two really rather beautiful things as well – look out for a strong and simple pewter brooch of penguins (£8.95) and Malcolm Sutcliffe's mouth-blown lead crystal glass bowl. For the lazy there is the large mystery parcel (£49.95 for at least 10 different items) or a small one (£24.95 for at least five mystery items) – they come wrapped in splendidly old-fashioned plain brown paper and string.

NSF (National Schizophrenia Fellowship), 28 Castle Street, Kingston-upon-Thames, Surrey, KT1 1SS. Tel: 081-547-3937.

A slim little catalogue from a charity fighting for its share of the financial limelight. Cards and calendars are mostly what it purveys but some white, silver and gold crackers at £12.50 per box seem generously filled (address books, sewing kits, mini torches etc) and elegantly contrived.

Queen Elizabeth's Foundation for Disabled People, Leatherhead Court, Leatherhead, Surrey, KT22 0BN. Tel:0372-842204.

Another slim catalogue with a selection of cards, papers and crackers for those who want to support this charity and a small selection of rather predictable presents (sewing kits, photograph albums, pens and Biros, eau-de-cologne, boxed bridge sets and the like.

Greater London Fund for the Blind, PO Box 81, Burton-upon-Trent, DE14 3LQ. Tel: 0283-510111.

Cards, paper, ribbons, calendars and decorations and a small selection of presents. Slippers seem popular this year (anticipating the VAT on fuel?) so here we have some cosy-looking suede moccasins for just £10.99 a pair.

Aromatherapy, too, is *in* – choose from jasmine, camomile, peppermint and juniper foaming baths or a gift boxed set of four bath oils, £8.99. There is a lambswool scarf with tartan pockets (£24.95), lots of personalised pens and pencils and what the compilers of the catalogue call the "World's Most Difficult Jigsaw" – 529 pieces for £9.99.

Marie Curie Cancer Care, PO Box 72, Burton-upon-Trent, Staffordshire, DE14 3LQ. Tel:0283-512040.

For those who want to support one of the smaller cancer charities Marie Curie Cancer Care provides nurses to look after patients at home as well as funding 11 centres where cancer patients can be looked after around the clock.

The catalogue offers a familiar collection of cards, wrapping paper, calendars and crackers as well as some traditional Christmas foods and some straightforwardly useful presents – woollen scarves, socks, pot-pourri, gardening gloves, bath oils and a really rather charming matt black wooden key rack based on the theme of cats, £5.99.

Shelter Trading Ltd., 88 Old Street, London EC1V 9HU. Tel:071-253-0202.

Nicely produced but very small little catalogue from the charity that helps with the homeless and badly-housed. Most useful on the Christmas card front as it offers an exceptionally jolly selection for those who prefer modern versions of the well-worn themes. A very few presents on offer as well – beeswax candles, some unexceptional blue and white pottery and some sweet little wooden puzzles for children.

Christian Aid, PO Box 100, London SE1 7RT. Tel:071-620-4444.

Another catalogue mainly useful for its charming selection of original Christmas cards – on the present front there is only a selection of t-shirts, a couple of books and a dairy.

Unicef, 55 Lincoln's Inn Fields, London WC2A 3NB. Tel: 071-405-5592.

Probably the best and biggest selection of Christmas cards – from arty photographic essays to jolly Nepalese pop-up cards – as well as a small selection of presents.

□□□

STILL on a charitable theme, there are two Christmas fairs that readers like to make a point of visiting. The Birthright Christmas Fair (Birthright, is a charity primarily concerned with problems of infertility and the welfare of newborn babies and their mothers) will be held at the Royal College of Obstetricians & Gynaecologists, 27 Sussex Place, Regent's Park, London NW1 4SP on Tuesday from 10am to 5pm. Tickets are £5 each. There is also an evening preview on Monday November, from 6pm to 9pm for which tickets are £10 each. Tickets can be bought at the door.

The Macmillan Fund, a cancer charity, holds its Christmas fair on Thursday November 11 at the Royal Horticultural Society's New Hall, Vincent Square, London SW1, from 10am to 5.30pm. Tickets cost £3 and are available at the door.

FASHION

Dressing for the Dolce Vita

***Ralph Shandilya** contemplates the style of Gianni Agnelli*

"ONE MAY have had bad habits in the old days, but never bad quality." So said Gianni Agnelli, thus succinctly encapsulating his personal views on life and living – views that will be immediately recognisable to anybody who has followed his career during the last 27 years, when as well as being chairman of his grandfather's empire, he established his reputation as a notably stylish dresser. He sensed, with finer antennae than almost anybody else, that an important part of life's drama is acted out on the level of style. In the land of *La Bella Figura*, where how you dress matters more than almost anywhere else in the world, he carved a special niche for himself.

In republican Italy, L'Avvocato, or Il Re, as he was variously dubbed, became a potent myth for the masses and one of the most charismatic figures in Italian public life for many a long decade. When Gianni Agnelli wore his watch on the outside of his cuff, thousands of would-be snappy dressers did likewise.

When Gianni Agnelli tied his tie with a thick and glossy knot, so did young men the length of Italy.

Where this famous style began it is hard to say. His childhood influences (which include an English governess, an Anglo-American princess mother and a formidably powerful grandfather) must all have played their part. Rich, pampered, brought up in many-splendoured mansions, his tutelage in dressing began early. "The Agnelli children," Alan Friedman tells us in his biography of Agnelli, "were always dressed as sailors – blue for winter, white and blue in the spring and autumn, and white in summer. At lunch the little Agnellis changed into formal and elegant clothes: with short silk socks."

After war and military duties were over, with an annual income of around $1 million and the world his oyster, Agnelli took to heart his grandfather's words – "Have a fling for a few years, get it out of your system". He embarked on the serious business of driving fast cars and chasing beautiful women.

Over the years he developed a personal style that became a national trademark. His great leonine head, the skilful way he has mastered the art of wearing a permanent tan, his taste for a sober elegance enlivened with just the right touches of élan, have combined to give him almost cult status among the fashion *cognoscenti*. All over Italy his stylistic foibles are noted – his wearing of Brooks Brothers' shirts with the collar buttons undone, his turning up at business meetings with old-fashioned suede after-ski boots with the laces undone, for pairing dark shirts with light ties, gangster-style.


When Agnelli tied his tie with a thick, glossy knot, so did men throughout Italy

As Robert Graham, our Rome correspondent puts it, "Some people wear clothes like a male model, others like a charmer and Gianni Agnelli wears them like the real charmer that he is. He has that seductive way of concentrating on you and what you are saying that all true charmers have. Another part of his charm is the way he seems to run his business - more like a bailiff guarding the family inheritance than a go-getting, cost-cutting businessman." Franca Sozzani, editor of Italian Vogue, is a longstanding devotee of Agnelli's style. "He really is the only businessman I admire. He is effortlessly stylish and this style emanates through the smallest details."

Quite how it is and why it is that a 72-year-old man, who really wants to retire but has been ordered by his bankers to stay on, can still command the attention of the paparazzi and the followers of fashion is something of a mystery – but command it he does. Agnelli-style still sets a standard of masculine elegance that many want to emulate.

Here **RALPH SHANDILYA** analyses the essential ingredients of Agnelli style.

Playboy look
Black velvet suit, Johnny Rocha, £350, from Liberty's, Regent Street London W1. Yellow button-down shirt, £155, Hermes, 179 Sloane Street London SW1. Hammered velvet scarf, £60, Georgina Von Etzdorf, 149 Sloane Street, London SW1. Gold Hublot rubber band watch, £5,350, from The Watch Gallery, 129 Fulham Road, London SW3. Tortoiseshell glasses, American Eye Wear Co., £110, Harrods, Knightsbridge, London SW1. Silver lighter, £125, Alfred Dunhill, 30 Duke Street, St James's, London SW1. Leather belt, £95, Swaine Adeney Brigg, 185-186 Piccadilly, London W1.

Magnate style
Green covert coat with velvet collar, £795, Chester Barrie at Austin Reed, 103-113 Regent Street, London W1. Double-breasted beige suit, £350, Cordings, 19 Piccadilly, London W1. Wool/cotton shirt £125, Sulka, 19 Old Bond Street, London W1. Gold silk tie, Hacketts, 137-138 Sloane Street,London SW1.

Leisured class
Natural colour 8-ply cashmere shawl collar cardigan, £620 S. Fisher, 32/33 Burlington Arcade, London W1. Black cotton roll-collar sweater, John Smedley, £52, Harrods, Knightsbridge, London SW1. Grey 12oz wool trousers (part of a suit) Hacketts as before. Brown suede leather boots, New and Lingwood £155, 53 Jermyn Street, London SW1. Silk Jacquard scarf, £130, Georgina Von Etzdorf as before. Silver-tipped cane, £170, Swain Adeney Brigg as before. Silver watch, Jaeger Le Coultre, £2,750, The Watch Gallery as before.

FASHION

You can't keep a good shirt down

*This time the look is long, lean and romantic or ascetic. It may be the one essential autumn buy, says **Avril Groom***

THE WHITE shirt is the many-headed Hydra of fashion. There are countless versions of this basic essential, and each time it seems about to disappear, because of a change in design direction, it renews itself more strongly. Designers are capable of perpetually reinventing it.

This time it is the swash-buckling dandy, the romantic poet or the ascetic nun which inspires the transformation. The square-cut, plain-collared, button-cuffed shirt always looks smart in its classic way – but it does not have quite the élan of this winter's style.

The details to look for include: long, rather lean-cut shapes with pronounced tails; long, ruffled or double cuffs and an interesting neckline with elongated revers; stock-ties or jabots; and cavalier lace trim.

The significance of these details lies in the way the white shirt is worn now. This is a season of layers and the shirt, as the basic ingredient, gives them topicality. It goes over, or under, a succession of lean, often fine-fabric layers and it is usually longer than the rest.

The protruding tails, cuffs and collar proclaim the vintage of your outfit, the details - e bold stock-tie, a romantic soft ruffle or a puritanically plain buttoned-up collar – say which of the season's fashion "characters" you have decided to espouse.

For this autumn, designers have again plundered the dressing-up box and the shirt is the shortest way to a specific theme. Wear a very plain, high-necked style with simple, monochrome tailoring and skinny, undersized knits and you have a deconstructed look bordering on the ecclesiastical.

Anything with a *hint of* lace worn with velvet, smacks of the dandy while a shirt peeking from long, knitted layers updates a revived classic.

So strong is the impression created by the shirt thet there is e case for making it your one essential autumn buy. Certainly some of the top designers seem to think so. You have a Chanel jacket, however old, or – whisper it – e tweed look-alike in your wardrobe? Then follow Karl Lagerfeld's train of thought.

He put just about every jacket-shape he has designed for the house on the catwalk, all of them worn over saggy jersey trousers and e white shirt with tails and cuffs flying – and very fresh they looked.

It is a similar story at the newly-opened London shop of Dior where Gianfranco Ferre, its designer, has always been a serious shirt man.

He is best known for his flamboyant evening wear but his impeccable white; cotton day shirts, their collars and cuffs cut and top-stitched with mathematical precision, would lend drama and presence to any jacket. At more than £300 they are expensive, but compare this with the cost of a jacket of equal quality.

At lower price levels the choice is vast and often represents very good value. If you are choosing a plain style, check for neat top-stitching, even hems and attractive buttons and cufflinks. With more ornate styles, for good-quality embroidery or lace trims, Next and Laura Ashley have inexpensive shirts trimmed with good-looking lace. At whichever level you buy you are unlikely to be disappointed. Your white shirt will be a long-running item, although by next year the designers will doubtless have thought up a different way for you to wear it.

Cotton shirt, £305 from Christian Dior, Sloane Street, SW1

Cotton shirt, £350 from Chanel, Old Bond Street, and Sloane Street

Top right, shirt and layers: Cotton shirt by Equipment, £89 from Joseph, Brompton Road, SW3, Sloane Street, SW1 and Brook Street, W1. Wool cardigan by Demetra, £195, acetate satin skirt by Helmut Lang, £230, both from Browns. Cotton knit gilet, £59.95, velvet shirt (round waist), £99, both from French Connection, James Street, WC2 and branches, and Fenwick. Velvet scarf, £49.95 from Fenwick. Boots, £168 from Fratelli Rossetti, Old Bond Street, W1 and Sloane Street, SW1. Silver cross by Wright and Teague, £149 from Harvey Nichols.
Left: from the top: Cotton shirt with broderie anglaise lace trim, £39.95 from Laura Ashley. Polyester crepe fitted, embroidered shirt, £29.95 from Marks and Spencer. Polyester crepe shirt with ruffles, £35 from BhS. Polyester crepe shirt with faggotting trim, £40 from Principles.
Hair by Joel O'Sullivan for Terenace Renati, SW3. Make-up by Julie Thomas with Sensiq's Sable Matte Shadow Silk, Damson Lip Dew and Terracotta Perfect Powder Blush.

DRAWINGS: Margaret Keedy
PICTURES: John Swannell.

Left: Cotton shirt by John Rocha, £79, wool jacket by Dries van Noten, £450, wool jersey skirt by DKNY, £190, all from, Harvey Nichols, Knightsbridge, London SW1. Wool and lace sweater by Ann Demeulemeester, £290 from A la Mode, Hans Crescent, SW1 and Browns, South Molton Street, W1. Beads with cross by Eric Beamon, £156 from Harrods, Knightsbridge, SW1 and Liberty, Regent Street, W1. Boots from Russell and Bromley, £99.50.

Right: Cotton shirt, £59, stretch jodhpurs by Paul Costelloe Dressage, £95, both from Fenwick, New Bond Street, W1. Velvet jacket by Selina Blow, £800 from Harvey Nichols and Whistles by Night, St.Christopher's Place, W1. Choker by Eric Beamon, £117, stockists as above.

Luxurious – and politically correct

***Lucia van der Post** dresses stylishly in lambskin*

SHEEPSKIN is one of those staples of the classic outdoor wardrobe. Fashions come and go but the popularity of sheepskin goes on, riding tranquilly above and beyond the frenetic search for trends and directions. Soft, warm, windproof, it is the garment one reaches for when in need of comfort and reassurance.

Desirable though sheepskin may be, lambskin is even mere sought-after. Mnch softer, about a third thinner and 50 per cent lighter than sheepskin, it drapes better and feels silkier.

Lisa Johnson is a new designer of lambskin who, this autumn, has brought a collection of four lambskin designs – a short waistcoat, a long waistcoat, half-length jackets (either single or double-breasted) and a three-quarter length coat. All are made from lambskins which in these politically correct days, she is at pains to point out, come from natural casualties (mainly stillborn lambs) so there is no slaughter.

Lambskin, needless to say, does not come cheap. Coming from such tiny casualties, many skins are needed to make one coat, the workmanship is fine and careful and a jacket will sell in the shops for between £500 and £740.

Lambskin can be dyed almost any colour. This season Lisa Johnson is using black, anthracite, a jeans blue, ice-blue (see photograph) cream, mocha and dark coffee brown, dark khaki and a mint green.

Already her lambskins are highly sought-after and for next winter a full-length coat is planned – start saving now for it will cost around £2,000. So far Lisa Johnson has concentrated on designing lambskin for women but a few masculine pieces are also under way.

A good selection can be seen and bought at Space NK, 41 Earlham Streat, Covent Garden, London WC2 and at Qnestionnaire, 2 the High Street, Wimbledon Village, London SW19. For further stockists ring 071-613-5239.

For those who want to see a wider range of lambskin coats, Nigel Preston is another name to look out for. A fine designer who every year does something new and beautiful with skins, this year he has three main themes: Afghan, a classic for everyday designs which retails at batween £500 and £600; Entrefino, a luxury version, which sells at £1,300; and finally, the most luxurious range, Snow-tipped, which sells at about £1,500 and features everything from a shawl-collared coat to a trench coat. Joseph stores, Harvey Nichols, Harrods and Matches of Wimbledon all stock the Nigel Preston label.

Double-breasted soft lambskin jacket by Lisa Johnson, £540

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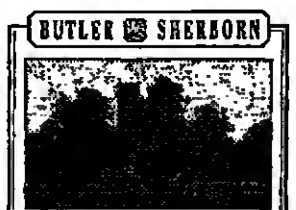

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Somerset's different worlds

Gerald Cadogan finds a wide variety of houses on offer in the heart of the West Country

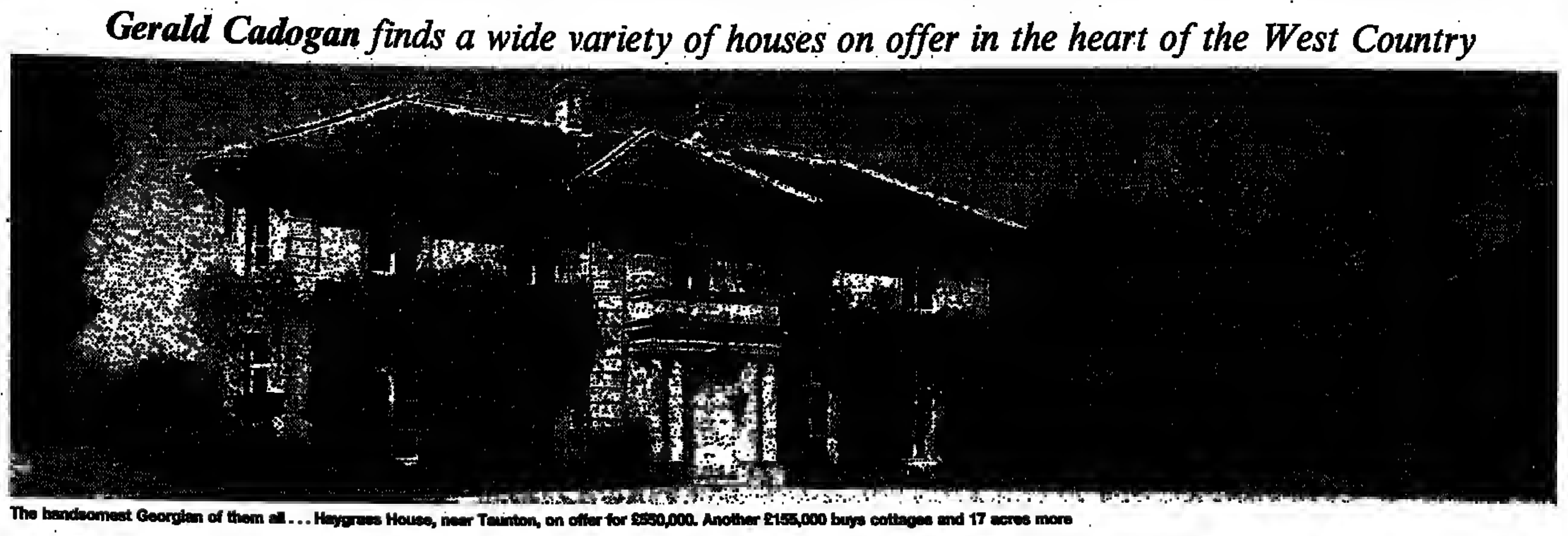
JULIUS Caesar would have divided Somerset into two or three parts. The rolling hills of the east, on the border with Dorset, are a different world from the plateau of Exmoor, the county's west end.

Exmoor has sheep, stag hunting, and ancient hedgerows from which huge beeches sprout. Its steep and narrow valleys conceal burbling rivers, with pools for a bracing bathe that return you to the days before heated swimming pools in the garden. Its heroine is Lorna Doone, made famous by novelist R.D. Blackmore.

East Somerset is gentle country. Long, low stone houses are tucked into the hills or lie in a village at the bottom of the valley. Handsome churches show how the county prospered in the Middle Ages. And there is a sense that, in this haven of clematis and roses, it is always afternoon and time for a cup of tea or the first glass of white wine.

In the middle, between Exmoor and the Dorset borders, lie the flat lands of the Glastonbury levels, and the Sedgemoor marsh, and the Vale of Taunton Deane which the M5 crosses. Here, the Duke of Monmouth started his revolt against James II in 1685, and was routed. Judge Jeffreys' Bloody Assizes followed. The Quantock hills separate this vale, packed with history, from the wild country of Exmoor.

The M5, Somerset's main artery, goes south to Exeter, Plymouth and France, and north to the rest of England and its motorway network. Caravans bound for Devon and Cornwall crowd it in summer. The other links are the railway to London – which sometimes has long delays and re-routings when floods wash away the ballast; and, for east Somerset, the A303, the modern highway of Wessex.



The handsomest Georgian of them all... Haygrass House, near Taunton, on offer for £550,000. Another £155,000 buys cottages and 17 acres more

Close to the A303 is the thatched Rodwell Manor at West Lambrook, a long house which has, as a centrepiece, a mid-16th century great hall. The house, listed Grade II, comes with five acres and looks over the National Trust land at Barrington Court (which will not be built on). Jackson-Stops is asking £475,000.

Pendomer Manor, south-west of Yeovil, is another long house of similar date which once was the rectory for the church next door. Buried there is a knight who might be one Sir John de Domer. For a chance to be the late-20th century squire, attend Humberts' auction in Hardington Mandeville village hall on November 11 (7.30 pm). Humberts also will be selling Eastfield at Hardington Mandeville: two farmworkers' cottages now made into one larger cottage with a garden around enclosed by a low stone wall.

For cottages on Exmoor, Stags is an agent to consult, and Gribble Booth Taylor has a good list of village properties. At Seavington St Michael, near Crewkerne, Jackson-Stops is selling Orchard Cottage, at the end of a no-through-lane, for £180,000. "John Skellen May 25 1689" is inscribed on the wall in plaster, and the thatched roof received a new ridge last year.

At Compton Dundon, four miles from Glastonbury, Michael de Pelet (in association with Knight Frank & Rutley) offers Castlebrook Cottage, a long, thatched village house with Honeysuckle Cottage in the grounds, for £255,000. De Pelet also has the cottage-style Four Gables: this is listed Grade II, presumably for the unusual gables at either end which make it look like the model for a fairy story. The guide price is £360,000. Cheaper is Fosseway, with some mullion windows and exposed beams, in Hinton St George near Crewkerne: £265,000 from Jackson-Stops.

Farmhouses on offer start with Pightley, at Spaxton on the edge of the Quantocks, with nine acres and priced at £125,000-£150,000 by Greenslade Hunt. It needs total renovation but has a good position. South of Shepton Mallet, Kilkenny Farmhouse is half a mile from the Roman Fosse Way (A37) and, with a stable yard and 3.5 acres, costs £325,000-£350,000 from Cluttons. Two barn conversions are Park Barn at Castle Cary (Jackson-Stops, £245,000) and Home Barn at East Compton near Shepton Mallet (Cluttons, £215,000).

Just over the Devon border, and new on the market, Stags is selling Lodfin Farm at Bampton with 110 acres and farm buildings for £485,000. At Winsford, on Exmoor, the same firm offers The Tufters, with a licenced hiring yard for 10 horses in prime hunting country. Apart from the Devon & Somerset staghounds, five packs of foxhounds meet within five miles. The price for this retirement sale is £350,000.

If Victorian rectories are your taste, Cluttons has the Old Vicarage at Pilton, near Shepton Mallet, which is lucky still to have its coach house (now converted as a three-bedroom house). Often, a diocese has sold these separately or pulled them down to allow space for re-building. The price is around £325,000.

If your house has to be Georgian, Humberts and de Pelet offer Cheriton House, in South Cheriton near Wincanton; this has 26 acres, a swimming pool and outbuildings for £420,000. De Pelet also will sell Magnolia House at Watchfield, close to the M5 (junction 22) and needing renovation, by informal tender on November 24; offers in the £150,000-£200,000 range are suggested.

For £280,000, he offers the Old Rectory at Limington, near Yeovil, and Grove House at Baltonsborough, near Glastonbury.

The Great House at Edington, near Bridgwater, is on offer from Greenslade Hunt for £240,000. But the handsomest Georgian property is Haygrass House in Haygrass, near Taunton, from Humberts for £550,000; for £155,000 more, there are cottages and a further 17 acres.

Finally, there are two solid, Edwardian houses. Ham Court at High Ham – built, rightly, with some Ham stone – costs £400,000 from Jackson-Stops. The same agent (with Grimley J.R. Eve) is selling Coker House at East Coker, built with much more Ham stone, for £450,000. Recently, it was an old people's home.

T.S. Eliot is buried in East Coker church. His family left the village to emigrate to America, but he came home. In the East Coker part of *The Four Quartets*, he writes: "In my beginning is my end, in my end is my beginning."

■ *Further information: Cluttons, Wells (0749-678 012); Greenslade Hunt, Bridgwater (0278-425 555); Gribble Booth Taylor, Chard (0460-67 644); Grimley J.R. Eve, Bristol (0272-277 778); Humberts, Yeovil (0935-77 277); Jackson-Stops, Yeovil (0935-74 066); Michael de Pelet, Sherborne (0935- 812 236); Stags, Dulverton (0398-23 174).*

Cadogan's Place

For those with reform in mind

THE NEW rules allowing owners of leasehold flats to buy the freehold come into effect on Monday. Copies of the Leasehold Reform, Housing and Urban Development Act 1993 can be obtained from Her Majesty's Stationery Office for £19.65. But leaseholders still face many hurdles if they intend to act and will need solicitors and surveyors.

Several firms and the department of the environment have prepared (or are putting together) books and pamphlets with advice. In alphabetical order, these include Bircham (071-222-8044) with Strutt & Parker (071-235-9959); William H. Brown (071-636-2736) with Philip Hodges (071-454-9970); Francis Ruesell (071-225-3344); Macfarlanes (071-831-9922) with Property Vision (071-602-8788); Simmons & Simmons (071- 628-2020). There might be a charge for some but the DoE's is free (P.O. Box 151, London E15 2HF). Meanwhile, law firm Trowers & Hamlins (071-831-6292), in conjunction with Fineman Lever, is organising a free seminar in London on November 18.

Guides to the legislation include:

■ *How to Manage Your Own Block of Flats*, by John Cumming and Richard Hickie; and *How to Buy Your Freehold or Extend Your Lease*, by Paul Gurowich, David Marcus and David Haines (both published by the College of Estate Management, Whiteknights, Reading RG6 2AW, at £14.50 and £12 respectively).

■ Buying *Your Freehold or Extending Your Lease*, by Timothy Curran (£11.99 from Leasehold Enfranchisement Ltd, Swan Centre, Fishers Lane, Chiswick, London W4 1RX).

IN MAYFAIR, central London, Egerton (071-493-0676) is selling 3 Lees Place W1, just off Grosvenor Square, on a lease with 26 years to run and with a guide price of £1.15m. But as the ground rent was fixed in 1931 at £125 for the whole term, the house is can be enfranchised under the new laws. Many larger houses in London cannot because the ground rent is too high or a company (not an individual) is the leaseholder.

* * *

SIR EDWARD Heath, the former prime minister, is the only person to have enfranchised in the close of Salisbury Cathedral. But whoever buys Myles Place, a very grand Grade I-listed house in the close which the dean and chapter are offering on a new 60-year lease, will not be able to join him because the ground rent of £500 exceeds the low rent test of £250 for a lease outside London granted after March 31 1990. The agent is D.W. Barke (0722-327087) and the price around £650,000.

* * *

ARDELEY BURY is a romantic castle on an ancient moated site near Stevenage in Hertfordshire. Its Tudor brick front, with a handsome, low, vaulted entrance hall merges delightfully with Georgian Gothic brick and flint towers and turrets, and a great hall built on to the Tudor house. As you approach, you pass a lake with a Tudor boathouse; ancient parkland with bumps and hollows awaiting an an archaeological dig (if that appeals); and old, thatched barns in apple-pie order.

This is a small paradise, where, even in winter, no neighbour is in sight. In excellent repair, it is waiting for new owners who will enjoy living in an exotic and congenial house. But they will need to bring large pieces of furniture with them. Tha guide price from Savills (071-499 8644) is £2.5m, which includes 90 acres. It is hard to believe that such rural bliss exists an hour from London.

BLISS MILL, on the edge of Chipping Norton, is a Cotswolds landmark – a huge, Italian renaissance-style tweed mill, with a chimney like a minaret, that would be more at home in Bradford or Glasgow than Oxfordshire. Built in 1872, it worked until 1980 as one of the last survivors of the Cotswold wool industry.

When it closed, a speculator bought it. There were various planning applications, including for a mosque. In 1987, Bliss Mill Holdings started converting it into flats, but went into receivership in 1990; the asking prices were too high. It was acquired by Widworthy Leisure Ltd, which took it to market last year – and then also went into receivership. Now, Chris Barlow, of Coopers & Lybrand (as receiver), is marketing the flats at prices from £85,000 to £198,000, and several have been sold already or are under offer. The agent is Savills in Banbury (0295-263535).

Gerald Cadogan

Gardening / Robin Lane Fox

The idiocy of planting for ethnic correctness

MANY OF yon may be looking forward to planting trees during the next few months. You are interested not only in the "best tree for a small garden," that elusive entity which obsesses books on gardening. You also want trees for a field, an acreage of set-aside, or an eventual barrier in the landscape.

If you want inspiration, look around you this weekend or visit a local arboretum. The autumn colour is still holding up well, from Westonbirt to Leonardslee. Yon have your last chance to weigh-up your options while the leaves are looking their best.

Our choices are muddled with incoherent rhetoric which seems to be gaining ground. It comes home to me whenever I look through the two main windows of my life. One, the home window, is evidence of mistakes made 25 years ago by somebody else; the other, the working window, reveals the options which ought to have been followed.

The home window looks out across my garden into a tall boundary fence of sycamores, the rock-bottom trees of British landscaping. Whatever you decide after reading this, I do beg you not to plant them. By late summer, the leaves are already dull and dirty; in autumn, they turn a soulless grey-brown and are slow to rot when they drop.

The main reason they crop up so often in former owners' gardens is that they seed themselves frantically and some of the seedlings turn into trees. Nohody in their right mind would allow these seeding menaces anywhere near their flower beds. But free-seeding trees appeal to ecological gardeners: they can be introduced "naturally" and, after years of seeding, they have become so firmly established that they satisfy hedgers and foresters who want to go "native."

Going nativa has become extraordinarily acceptable. County councils have special grants for amenity tree-planters, who are so slow to claim them that even a casual inquiry encourages a deluge of correspondence and offers of a consultative visit. The grants have two conditions: the trees must be open to public viewing, a reasonable condition as thay are planted on public money, but they must also be "native broad-leaves."

This second condition is ridiculous. Nobody will give me a grant if I plant a glorious grove of ginkgos or an avenue of tulip trees which are beautifully foreign. If I propose sycamores, I would qualify for a broad-leaved handout. It seems batty to me. The council would probably be asked to prosecute me for *discrimination* if I banned immigrants in any other area of life; why does it give grants only to planters who conform to ethnic correctness?

The notion is ultimately bogus, anyway. When does a tree become a native, not an import: what about wild cherries or walnuts, both of which are approved native broad-leaves but which historians have sometimes proposed as foreign imports, brought to Britain by the Romans?

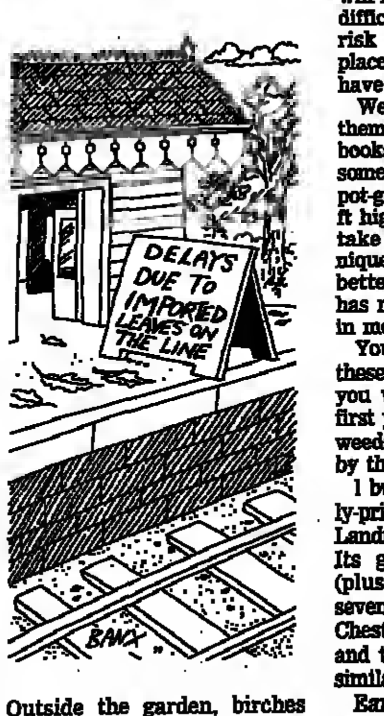
Why should we want a tree just because it is indigenous? Large areas of "indigenous" British life are pretty second-rate.I would ban subsidies for sycamores and point out to inquirers that there are far lovelier trees for Britain than the service tree, hawthorn, common crab and elder which make up a municipally-correct idea of a "native hedging mix."

Avoid sycamores, therefore, and do not fall for the mindless "native" rhetoric. Turn instead to the view from my life's other window, out beyond the shoulders of pupils reading essays on classical slavery to a wonderful harmony of winter-flowering cherry, non-copper beech, extraordinarily foreign mulberry, and Oriental wistarias which are still retaining their green leaves before going yellow in a blaze.

Here, natives mercifully are swamped by immigrants. While sycamores were being planted in the sight-line of one of my windows, a connoisseur was planting these un-English trees in front of the other. I wish I could risk felling the boundary hedge and replace it with trees from the tutorial vista, jazzed up by the best aliens which I could foist on the West Oxfordshire council.

Like our restaurants, our hedges need to be rescued from "native" staples. We also need to break down the categories. When we think of the landscape, we are still too ready to divide trees into "specimen" or "hedgerow" varieties and to mark off some of them as "ornamentals." Fields and set-aside, we seem to be saying, do not need ornamentals: huge, sweet chestnuts, white-flowering winter cherry, Chinese sorbus, brilliant parrotias or the best birches. No, they need the unspeakably British service tree and the miserable blackthorn.

Even when we do dare to be ornamental, we run in ruts.



Outside the garden, birches still amount to the pock-marked trunks of a common silver birch, not the stunningly white Betula jacquemontii. In fields, limes are large-leaved limes, not the silver or weeping silver varieties.

I am not claiming that cities have broader horizons. From New York to Seoul, streets are about to glow with the autumn duty of yellowing ginkgo trees: why did British town councils miss out on this lovely possibility, planting those awful yellow-edged acers on a main route into Leicester or splodges of pink cherry when the A23 pauses for a tree?

We used to be told that street trees had to be chosen so as to be vandal-proof: I never understood why a dreary mountain ash was any more proofed than ona of its Oriental relations. In fields and on farms, we were also told that native trees were tha right choice because they were better at fighting for themselves.

Chemicals and machinery have reduced the force of these arguments. Our new age of weed-killers, based on glyphosate, allow us to keep grass and coarse weeds away from a newly-planted tree on a headland as easily as in a garden: two or three sprays during the year will keep it clear without much difficulty. As a result, we can risk so-called ornamentals in places where once they might have succumbed to weeds.

We can also risk more of them at a greater height. The books still tell us to transplant some of the better varieties as pot-grown specimens, about 2 ft high, because they will then take root. But better techniques of root preparation and better machinery for lifting has made this advice outdated in most cases.

You can now buy most of these trees at a height where you will not lose them in the first year among your patch of weeds, set aside and subsidised by the EC.

I buy my trees from the fairly-priced list of Landford Trees, Landford, Salisbury, Wiltshire. Its ginkgos are £11:50 each (plus VAT) per 10 at six to seven feet high, while Sweet Chestnuts are £9.25 at 8-10 ft and tulip trees are £14.25 at a similar height.

Early in the 18th century, the great landscape architect, William Kent, was said "to have first jumped the fence and seen all nature was a garden." Nowadays, I merely suggest that we remember the full width of nature, outside the British Isles, and then proceed accordingly.

Of course, we do not want anything too fancy or too variegated or too purple and gold in the setting of farmland. But there is no fixed rule that woods in Britain have to be beeches and copses have to major on hazels. Open out, survey the world and enhance the view from your windows of the future.

From killer to conservationist

J D F Jones considers Peter Scott's biography

IT is remarkable how some of our most famous conservationists learned their trade – discovered their passion – in the killing fields.

Here is Peter Scott ("Because of him, more than any other single person, animals that 40 years ago seemed doomed to extinction still exist" – Sir David Attenborough) at play before the war: he and two friends shot a score of ducks at Leighton Moss, rushed to the Lake District to kill two stags, then charged back to the marsh for another 100 geese before supper.

He saw nothing untoward in this. "They were man's traditional quarry," he wrote, "and it was part of man's instinct to hunt: *it was part of the birds' instinct to be hunted*" (my emphasis). To which I can only say, balderdash and humbug.

Eventually – slowly – the sinner repented, and by the early 1950s Peter Scott had sold his guns. Gavin Maxwell had trodden the same path, just like those professional white hunters in Africa who, today, have become game wardens. Perhaps our own king-in-waiting will one day follow their example as he attends to his duties as president of the Wildfowl and Wetlands Trust which, successor of the original Severn Wildfowl Trust at Slimbridge, is Peter Scott's most concrete legacy.

But peaceful co-existence between hunters and bird-watchers was very much on Scott's mind in the early days of the Trust. He had observed in America the benefit of partnership between shooters and savers.

So long as a species was not endangered, the trust's annual reports could talk about "the ootion of wildfowl as a natural resource which can be harvested like any other crop". It still sounds pretty rum to me, coming from a man who committed his life to, and built his international fame upon, a passion for geese.

Peter Scott was a famous man for 40 years. His father, of course, was even more famous, and everyone has always assumed that it must have been a problem for Peter to be automatically associated with the gallant Captain who died on the way back from the South Pole.

In fact, according to this authorised biography, there seems to be next to no evidence of a complex. On the contrary, Peter throughout his life found every door open to him, and he had the energy to take full advantage of his role as a golden boy of the Establishment. Elspeth Huxley's thesis is that his father's fame was a double-edged legacy: it smoothed his path but also confronted him with the need to achieve the highest standards. That sounds about right.

PETER SCOTT: PAINTER AND NATURALIST
by Elspeth Huxley
Faber £17.50, 361 pages

From babyhood he mixed with the good and the great, thanks to his formidable sculptress mother, Kathleen. At Cambridge he managed a pass degree by the skin of his teeth – he was never an intellectual – but it was there that he discovered wildfowl. He had a facility for drawing and, as we all know, he became a painter, a trade which was to fund him for much of his life. The biographer is polite: "Although his paintings tended to be ignored or patronised by avant-garde critics, they sold well and continued to do so for many years to come, affording pleasure to his patrons and a comfortable income for himself". The print called "Taking To Wing" sold 355,423 copies between 1934 and 1959. Later on he saved himself exertion by making cardboard stencils of geese in flight which he could pin to his landscape canvases in the appropriate position.

He had a good war, in destroyers in the North Atlantic and then commanding a steam gunboat; he also made an important contribution to the technique of camouflage. A first marriage to the teenaged Elizabeth Jane Howard quickly failed (his portrait of that distinguished future novelist was to grace the jacket of Peter Gallico's best-selling *The Snow Goose* which he illustrated). He almost became a Tory MP. And he was a sportsman – skating, sailing, gliding – of world class; at the ripe age of 55 he was the British Open Champion glider.

The war matured him, says his biographer, which hardly seems surprising. It might be worth underlining (as she does not) that his powerful mother died soon after. In 1945 he discovered Slimbridge, on the south bank of the Severn, where Whitefronted geese arrived in immense numbers from Russia every winter. This time he did not shoot. He transferred his own collection of birds, which he had started in 1933, and the Wildfowl Trust was born.

Portly, balding, bespectacled, Peter Scott became first a national figure and then an international committee man and lobbyist. He was a pioneer of television nature programmes, which turned him into an indefatigable globetrotter, but Slimbridge (and its later satellites) was his first and true mission as he churned out the canvases to pay the bills. He was a mighty pioneer of the Green Movement and it was inevitable that in 1961 he should have been centrally involved in setting up the World Wildlife Fund (now the World Wide Fund for Nature). All this, be it noted, before we knew about acid rain and ozone holes and global warming. A voice before his time, he wrote: "I personally believe that all other species of flora and fauna have as much right to their place on earth as does *Homo sapiens*". It was his lifelong crusade.

This is not a book that calls for detailed criticism. Huxley has told a long and interesting story lucidly – no mean achievement for a writer in her mid-80s whose first biography, the definitive life of the Kenyan Lord Delamere, goes back nearly 60 years. She has evidently enjoyed a trusted relationship with the family (15 years ago she wrote a biography of Captain Scott). Peter, knighted, a Companion of Honour, Fellow of the Royal Society, is an Establishment hero and Huxley is not the biographer to scrutinise the emperor's clothes.

Once she asks whether he was "too good to be true", but she prefers not to chip too deeply into the inner man. She is unnecessarily discreet about Kathleen's uninhibited life and, unsurprisingly, coy about the son's private concerns, but these things need not matter: the tale of a busy, worthwhile life, so superior in its achievement to that of the famous father, will carry you happily through a couple of winter evenings.

Massacres of the innocents

IN OCTOBER 1944, the streets approaching Athens were strewn with palms and carpets: to salute jeeps charged with British troops. By December 1944, those same troops were fighting in the streets against the Greeks they had supposedly "liberated". This is ostensibly one of the most perplexing events of the last war, and objectively-sketched explanations of it are not easy to cite. Here, at last, is one such.

Mark Mazower's account of the Italo-German seizure of Greece is often elliptical and specialised, but it should make sense to anyone with a feel for truthful documentation, and sympathy for modern Greek political history. The reason why British Tommies found themselves sniping from the Acropolis in late 1944 is basically that Churchill misread the extent of Greek support for the exiled Greek monarchy.

Churchill also underestimated the part played against the Axis invasion by the mountain-based guerrillas who did all they could to stop the occupying forces from treating this posting as a holiday. Churchill thought them reckless bandits, judging them more from external appearance than their internal organisation, which had a primarily Communist political tincture.

To describe the situation as an "entanglement", in Churchill's phrase, is to understate the complex of local impulses right and left. Even British officers working with the guerrillas were sometimes mystified. What compounded these tensions were the intolerable economic circumstances created by the invaders, and the *Wehrmacht's* policy of local reprisals for gum attacks. As Mazower points out, the German forces had no experience of fighting an invisible enemy: frustration, as much as anything else, led them into a massacres of the innocents.

Sometimes this succeeded in raising local indignation against the guerrillas; more often, however, it merely intensified partisan support. There are some poignant photographs here of one such slaughter of villagers at Kondomari, on Crete; and a telling shift of focus to German headquarters, where a young officer called Kurt Waldheim translated barbarities into the language of bureaucratic acceptability.

INSIDE HITLER'S GREECE
by Mark Mazower
Yale, £19.95, 464 pages

Substantial differences are drawn between the joint forces of occupation, reinforcing general stereotypes (to German irritation, the Italians were considerably gentler in their areas of control, and also refused to co-operate in the extirpation of Greece's ancient Jewish community). But what *is* perhaps most extraordinary about the Teutonic military presence was its overt philhellenism.

Troops and officers eagerly studied classical remains. When Himmler went to Athens, it was not so much on SS business as to visit the Parthenon. True, there were appalling cases of double standards. Some Germans may have been sensitive to it: their escape route was the ethnic casuistry of bracketing modern Greeks as "Balkan", and therefore sub-human.

As I say, this is an objective study. Not all Greeks or British are heroes, and not every Nazi acts dishonourably. But German behaviour in Greece 50 years ago has living witnesses. You might expect their accounts to be exaggerated. The documentation assembled in this book, however, suggests that they are right. It was a genuinely atrocious occupation.

Nigel Spivey

The meteor's tragic arc

THE TRAJECTORY of literary fame in 20th century America often seems as fixed as a meteor's. A sudden burst of talent and light from an unexpected region is quickly followed by a long, spectacularly visible fall. Hemingway, Fitzgerald, Faulkner, Capote – the American pantheon is full of writers who suffered the dubious distinction of being celebrities long after their talent had flared out.

Perhaps the most pathetic and poignant of these big league burn-outs is Tennessee Williams. Born the second child of a seedy middle class Southern family in 1911, by the age of 36 Thomas Lanier Williams had changed both his name and his future, becoming the most famous playwright of his age with the classic dramas *The Glass Menagerie* and *A Streetcar Named Desire*.

Nothing, it would seem, could stop him. But by the time of his death in 1983, the great dramatist had become a stumbling, lisping, doped-up parody of himself, raging and remonstrating like some countess in exile, working feverishly in an amphetamine trance yet unable to come up with anything worth staging.

TENNESSEE WILLIAMS: EVERYONE ELSE IS AN AUDIENCE
by Ronald Hayman
Yale University Press, 268 pages£19.95

Ronald Hayman's short, sharp biography provides a telling portrait of how this disintegration occurred. Unlike Hemingway and Fitzgerald, who simply drank too damned much, Williams' self-destructiveness was tied up with his art from the very beginning. After all, how many 13-year-olds complain of writer's block? Young Tom's family proved an incubator for both his homosexuality and artistic drive. The Williams' were dysfunctional long before the phrase became popular, with a distant and drunken father who worried about his 'sissy' son, an overbearing mother, and a sister whose brittle sensitivity was to lead to institutionalisation and a lobotomy.

Williams's response to this stifling environment was to write and travel obsessively. By his 30th birthday he had consigned an awesome number of words to the page, rivalled only by the miles he had racked up in the wanderlust that was to grip him until his death. But if wealth and fame allowed him to escape from his family, his imagination was tied to it for the remainder of his lifa. His domineering mother, a preacher's daughter who had married "beneath herself", was to appear in various guises throughout William's oeuvre, most notably as Amanda Wingfield, the mother in *Menageris* who claims to have once received 17 gentleman callers in a single day. Echoes of her can also be found in *Streetcar's* Blanche DuBois, another faded belle with delusions of grandeur.

Williams's sister, Rose, also informed his art. He was away when it was decided to give her a lobotomy, and he felt guilty for the rest of his life that *he had not be present* to prevent an operation which turned out badly. The model for the crippled Laura in *Menagerie*, har condition undoubtedly contributed to the morbidity and images of mutilation that were to mar much of the playwright's later work.

Ironically, Williams's father, a blustering and abusive shoe salesman, was confined to the wings of his son's imagination – most of the domestic arrangements in the playwright's major works are devoid of fathers. Although this may have seemed like contempt at the time, one can only conclude that Cornelius Williams fared better than his wife and daughter.

Hayman's biography is at its best in showing how Williams's ability as a young writer to mine his own life for dramatic ore left him gutted as an older man. There was no catharsis involved in putting his guilt and sexual tensions on paper. Writing seemed only to amplify these feelings. Williams was a compulsive reworker of material. Most of his plays began as short stories, grew into one act dramas, then blossomed into their final five-act form. While this diligence at first was the mark of admirable craftsmanship, it later took on the air of morbid obsession. Williams's hopelessly overblown later work rehashed the themes of emotional cannibalism and sexual confusion thet were so potent in his great plays.

After critics and audiences shunned his work, Williams sought refuge in chemicals and pointless travel. His final years are as boringly melodramatic as his later work, a countless succession of mala companions, tempests of hypochondria, and brief residencies in posh hotels. With the cruel irony America likes to reserve for its ruined artists, William's last years were his most famous, allowing him to play the grandmaster of the stage at countless revivals and lifetime achievement ceremonies even as he was coming creatively unglued.

While Hayman's book is skilled in showing the tragic arc of William's career, it is perhaps too perfunctory to satisfy readers wanting to get the full picture of this sad life. While I am no fan of door-stopping biographies, 240 pages of amply illustrated text does seem a bit meagre. That said, this remains a useful guide to the workings of William's troubled imagination, as well as a sad testament to the way a literary career can go so terribly wrong.

Stephen Amidon

The great traveller

GRAHAM Greene called Norman Lewis "one of the best writers not of any particular decade, but of our century." Others are content to acknowledge him as the doyen of English travel writing. Either way, all Lewis's qualities are paraded in his latest travel book, which takes him to Indonesia: to Sumatra, East Timor and Irian Jaya.

Many writers would fael overwhelmed by Indonesia, an archipelago scattered across 3,000 miles of tropical seas, with a population approaching 200m that is divided, uniquely, into 300 ethnic groups speaking approximately 250 languages, each island possessing a different history and culture from the next.

But not Lewis. Like all the best travel writers, he is monumentally unflappable. He simply starts at the atart and proceeds to the end, providing, as he goes, a textbook illustration of the qualities – charm, generosity, reportorial perspicacity and wisdom high among them – that have made him such a much-loved guide to places strange and far.

Not that this is a guidebook. It is the antithesis of guidebookery: a brilliantly-rendered account that pilots the armchair traveller from strange spot to strange spot, from lowland to highland, from the 20th century to the Stone Age, as though by magic carpet.

Lewis's vast experience as a traveller shines through everywhere. On a Sunday afternoon he visits Well Beach Number Three, as it is called in Indonesian, on the weirdly beautiful island of Weh, off the northern tip of Sumatra.

He is greatly taken by the sub-aquatic pleasures of Well Beach Number Three, where he sees more fish, and a greater variety of them, than he had seen anywhere on the planet – "even in such remote Pacific islands as Raiatea."

He is excellent on big issues like transmigration: the shipping of millions of people from one part of Indonesia to another to relieve population pressure.

"Painstakingly," he says, "all Brazil's errors in the movement of populations from rural wastelands and city slums into tha Amazon were copied in Indonesia, although on a much larger scale."

If the primary aim of transmigration was to relieve Java and Bali of excess population, the secondary aim was to guarantee national unity by the spread of Javanese culture through the islands.

"This so far has not happened," he maintains. "In fact the resentment provoked by what are generally viewed as government-sponsored Javanese colonies tends to diminish whatever ingredient of Indonesian patriotism may bave previously existed. However many transmigrants are sent to East Timor, nothing is more certain than that only a permanent presence of the army will prevent it from declaring its independence."

AN EMPIRE OF THE EAST: TRAVELS IN INDONESIA
by Norman Lewis
Jonathan Cape £16.99, 237 pages

Within a few lines of this passage Lewis has switched, with the grace of quicksilver, from the cultural weightiness of transmigration to a beautifully controlled description of the pleasantness of life in the small Sumatran town of Lamainang, away from the hugger-mugger of the transmigration settlements.

In Lamainang market, girls in blue and acarlet bargain excitedly for jungle fruit and several kinds of bat. A pet stall offers cockatoos, tong-tailed mice and a small member of the tarsier family, which surveys the world through troubled eyes, as well it might.

"Everyone's existence in Lamainang was enlivened by a clear mountain river squeezing through this small town, which drew a happy attendance of people . . . a thin old man, tronsers rolled up, dabbed in a pool with a net; a woman brought her duck, carried under her arm, for its daily excursion on the river."

The high point of the book is a journey into the Irian Jaya highlands, into the almost-Stone-Age realm of the Dani people. No one can use wryness as effectively as Lewis. Here he is at a church service of tribespeople, some wearing necklaces of graded boar's teeth, in a mission hall in Endoman, an experience, says Lewis, that calls for extreme theological simplification:

"What possible contacts could the minds of these villagers have with the intellectual subtleties evolved in 4th-century Byzantium shortly after the Emperor Constantine's conversiou to the new faith? How could the preacher Engen, peeping out through the shutters of the Stone Age, explain to them the mystery of the Holy Trinity, Redemption, Atonement, and the union of divine and human natures in the Hypostasis of Christ? . . . It was a case of the blind leading the blind."

In addition to a magic carpet, Lewis possesses the beadiest yet kindest of magic eyes.

Michael Thompson-Noel

Words, words, words

WHAT DO we think we know about the author of Hamlet – assuming it was Shakespeare who wrote the plays? The answer is: a great deal, but some of it is wrong.

The main facts of his life are well authenticated. Born in Stratford-on-Avon shortly before April 26 1564, he married, had several children, and moved to London. He wrote poems, was an actor, and a playwright. From money made from investing in the theatre, he bought land at Stratford and died there in 1616. A few years later two of his colleagues published an edition of his collected plays.

All this can be discovered from official records of baptisms, marriages, burials, and from property documents, wills, books and manuscripts. Samuel Schoenbaum, an American scholar, reprinted most of them in 1975.

But the facts have not been enough. From the beginning of the Shakespeare mania in the 18th century, the plain story has been filled out with invented gossip, anecdotes drawn from the plays, speculation, and forgery.

SHAKESPEARE: THE EVIDENCE. UNLOCKING THE MYSTERIES OF THE MAN AND HIS WORK
by Ian Wilson
Headline Press, 498 pages, £19.99

Tourist sites are still encrusted with a layer of nonsense, perpetuated by misleading disclaimers. Gaps in the chronological record have been elevated into "lost years" with the implication that something sinister must have been going on.

Over the centuries Shakespeare has attracted dozens of pseudo-scholars and cranks, sure that they have uncovered a deep secret. Those who believe that he did not write the plays and try to give the credit to Bacon, Oxford, Marlowe, or others, have no more evidence than their own discomfort that a mere provincial could have known so much, but they continue to claim attention.

Ian Wilson's *Shakespeare, The Evidence, Unlocking the Mysteries of the Man and his World*, like his earlier study of the Turin shroud, is intended for a popular readership and assumes little prior knowledge. The book contains helpful summaries, a family tree, transcriptions of key documents, and is excellently illustrated. But is our excitement at the sleuthing increased by the knowledge that Stratford parish register measures 17¼in by 7½in and consists of 335 pages with the Shakespeare entry towards the bottom of page five? Is *Hamlet*, above all, one of the most cracking ghost stories of all time?

Wilson's book is better than his misleading title implies. He rightly resists the common temptation to reconstruct Shakespeare's personality from the speeches of his characters in the plays. He sometimes tells us more than wa need about the earls and lords and other better-documented men and women who were Shakespeare's contemporaries, and he piles "arguably" on "arguably." But, for the most part, he is sure-footed in picking his way and judicious in his judgments. His book is a reliable guide to what is true, what is relevant, what is guesswork, and what is false in Shakespeare biography.

William St Clair

ARTS

All hail the high prince of horror

***Nigel Andrews** pays tribute to the actor Vincent Price, who died last week aged 82*

THE *Tingler, The Pit And The Pendulum, The Raven, Theatre Of Blood*... Vincent Price, prince of darkness, is dead. Who can resist the ritualistic mourning incantation? – "Horror cinema will never be the same without him."

But of course horror cinema was never the same *with* him. Never the same from movie *to movie* – when would this gaunt actor-chameleon put on his sepulchral-serious colours and when his self-spoofing motley? And never the same, seen historically, in the post-war Price heyday as it was in the earlier era of Lon Chaney or Boris Karloff.

Almost single-handedly Vincent Price created a new realm of Gothic cinema: one where *stomping* monsters gave way to silken aristocrats, monochrome (and often monotone) mayhem to a richly-coloured Romanticism sometimes curdling into camp.

His best movies were the series of Poe-based films made with director Roger Corman. Here the damask snarl of a voice – Missouri-southern mixed with stage-trained Shakespearean elocution – gave us the beat of Poe's taunting, haunting prose. And the patrician-blood-bound face summoned up all those Poe aristos, marooned in their mansions as troublesome guests dropped by. "That noise, sir? Just my sister trying to emerge from her resting place. That scream, sir...?"

The only time I ever met Price, it was in his pink-washed villa halfway up the Hollywood Hills. He already looked frail from long illness. But he talked for an hour: showed me round his art collection (he has written books on painting and was once reported to be the highest-paid art lecturer in America); and rolled out his career history for me like a red carpet.

He was a living half-century chronicle of Hollywood. After early stage experience with, among others, Orson Welles's Mercury Theatre, he came to screen fame in the late 1930s as Sir Walter Raleigh to Betta Davis's Queen Elizabeth I. Then he spent the next two decades working for a connoisseur series of Mad Directors, including Otto Preminger (*Laura*, 1943) and Cecil B DeMille (*The Ten Commandments*, 1956). DeMille was his favourite: probably because, like a good horror director, C.B. expected other people's imagination to work along with his own.

"He never had a script," says Price. "He'd have a Bible on his desk and that was the script!" The film's visuals were not always quick-off-the-drawing-board either. "In *The Ten Commandments* I had a line to Sir Cedric Hardwicke, who was playing the Pharaoh and I said, 'Yonder lies the city of Seti's glory!' And behind us there was this great blank cyclorama which they'd superimpose the photograph on later. And DeMille pulled me over and said, 'Vincent, you don't read that line with much conviction.' And I said, 'Mr DeMille, I don't know what I'm talking about! I look out there and all I see is a great blue screen.'

"He said, 'You're right, come with me to the studio.' And he showed me what was going to be superimposed – temples, giant tombs and 13,000 slaves walking up the Valley of the Kings pulling an obelisk! It was the most extraordinary thing you ever saw in your life. I went back and read the line a little more convincingly."

But not – see the film today – all *that* convincingly. Price never seemed wholly comfortable in either ancient or modern clothes. He was to find his identity in between: in those *fin de siecle*, quasi-Victorian villains that came his way after DeMille, multiplying like a benevolent plague in the 60s and 70s.

"You've really made it in Hollywood when you're typecast," he says. "You haven't made it until they say 'Oh he's the actor to play that kind of part, let's hire him.'" So they hired Price. Again and again. His novelty value was that he was the suavest, most cultured "heavy" in the history of screen Gothic.

"I think Aristotle's theory of the villain is correct. He said the villain should be a high-born, highly educated, very erudite man. Because if *he* has to pay for his sins, we hoi polloi understand that we must pay for ours. I've always tried to give my characters that kind of elegance."

Different directors, though, had different uses for the Price charisma. For years he was pulled two ways by two contrasting auteurs: William Castle, of *The Tingler* and *House On Haunted Hill*, and Roger Corman.

"Bill Castle was a showman. He'd strew his movies, and his theatres, with these outsize gimmicks. For *The Tingler*, he wired up the seats with little buzzers so audiences would get shocked at key moments. And he sent the actual tingler, which was like a kind of lobster, on a string round the auditorium!"

Corman was ascetic by comparison. He steered Price through the incomparable Poe films, poised between refined camp and psychoanalytic fable. "Roger's a very erudite man. He used to give Karloff and Peter Lorre and me directions on how Jung would have approached this or Freud that, and he'd quote from a book by Krafft-Ebing, and we'd say 'Yes, Roger, but how do we do the scene?'"

The Corman movies gave us the Price we know, and the Price we know gave us hours of enjoyment screaming away in the darkened stalls. Did he think it is innocent enjoyment?

"I've been asked a lot about this. You know, 'Is it harmful to our children?' Well, it's not as harmful as the things that *are* harmful, which we can see on every street corner. Horror is a kind of escape. It happens when you're very young. Your favourite stories are Bluebeard and Rumpelstiltskin, which are *terrifying* stories. We start early loving to be frightened. 'Boo!' is probably the first word children react to, and they do all their life.

"I've had people come up to me, people my age in their eighties, and say 'I remember being frightened to death and holding hands with my boyfriend or girlfriend.' And it's true: there's a kind of intimacy that's brought about by adventure, and by adventures in evil."

Opera/**Alastair Macaulay**

Wits at a wedding

EVERYTHING about English National Opera's 1991 staging of *Figaro's Wedding* is shaped by Jeremy Sams's lucid, sassy translation. The first two acts strike me as among his very finest work. His wit often complements that of da Ponte's Italian libretto – a barbed, knowing wit that connects to the spirit of Mozart's opera and the original Beaumarchais play; I love Susanna's little post-Rousseau feminist remark to the Countess in the Act Two finale "We think we are free, but we are always in chains." Yes, very free, and marvellously refreshing.

But Sams's tone is unyielding. When his characters have no humour, their parlance grows less original and closer to operatic cliché ("And my joy has turned to woe"). It is also during the opera's latter acts that Sams draws attention to his own skill as a rhymester (army, barmy) and his needless modishness ("Bye bye, nice to have seen you"). With such strokes he reveals his distance from the tenderness at this opera's core.

Sian Edwards conducts. Pacing is good, orchestral timbre attractive, words generally clear. But pathos is missing, and the larger ensembles lack sparkle. None of the singing has great musical distinction, but Cathryn Pope's Susanna carries the opera along with a charming mixture of delicacy, robustness, directness and humour. Arwel Huw Morgan is a worthy, communicative Figaro, though amid this cast he looks too old. Curiously, his finest moment occurs simply in listening to Susanna's aria – motionless in pain, only inches away from her in the dark.

Margaret Marshall in Figaro's Wedding

Alastair Muir

Amid the rest of the cast, only Donald Adams as Doctor Bartolo is outstanding – a self-important old buffer who suddenly melts into paternal warmth. Margaret Marshall's elegant Countess gave a very strained account of both arias. Edgy, pushy singing and lively, inelegant acting from Peter *Sidhom's* Count, Ethna Robinson's Cherubino, and Anne Mason's Marcellina. If embellishments are to be added, they should be more precise; but several appoggiatture were missed.

Graham Vick's production has been revived by Bill Bankee-Jones. The story becomes vivid – how well the eye is repeatedly drawn to Cherubino's commission – and has many revealing touches of manners, such as the way Figaro and Susanna stand to attention in the Countess's bedroom. Indeed, every iota of Susanna's comportment is fresh and convincing. *But not* everything else rings true. Though I was impressed by the violence with which the Count treated the Countess in private, it seemed false to their previous behaviour.

The stand-and-deliver method used in several big arias often detracts from the drama. When Barbarina sings her "I have lost it" solo, you want to cry "Then keep on looking!" Richard Hudson's sets are ghastly. One bright colour per surface: sheer green versus sheer mauve, and *so on*. Why seven doorways in the garden wall? This isn't *Bluebeard's Castle*. And the doorways are so narrow the Countess has to enter sideways.

Lord Goodman, a former chairman of English National Opera's board, was 80 this year. His birthday, and his presence on opening night, were marked by the company's new general director, Dennis Marks, whose curtain speech of congratulations contained the World's Longest Sentence.

ENO, London Coliseum. Performances until December 16. Original production sponsored by the Woolwich Building Society.

From 'good morning' to 'hello matey'

***Clement Crisp** finds the new chit-chat approach of Radio 3 a real turn-off*

I HAVE a very low resistance to chatter in the morning. An exquisite lyric about breakfast-time sums it all up: "Good morning, George. Good morning, Percy. Good morning, Colonel. Christ, have mercy!"

I suppose thet, like many another, I get up to the sound of music on the radio as I embark on the *via dolorosa* of ablutions and breakfast. Decent music helps, which has meant Radio 3 since it began. Brief news bulletins (albeit no help to the day's travails), discreet voices, minimal words, and music.

There are moments when lunacy strikes, and a voice promises a concerto for Jew's Harp by Albrechtsberger (the world's dullest composer). Then you shout "Oh no you don't!" and switch off. But all in all, until a couple of years ago, the music, plus agreeable and cultivated voices (Donald Macleod and Tony Scotland as ideals. And ah, Patricia Hughes, of blessed memory) were part of the process of greeting the day with something less than a snarl.

Then came Classic FM, and change. I do not think there is any conceivable rivalry between the two music stations, despite foolish efforts to detect some battle for audience figures. Classic FM is unabashedly populist, unabashedly commercial, and tremendously well-intentioned. There is no snobism about it, no pretentions. Radio 3 remains essentially what it always has been: our most influential advocate of serious music, of encouragement for new work, of devotion in promoting an art.

The idea thet it is an enclave of intellectual dyspepsia and arcane performance can only be held by those who do not listen to it, or consider its schedules and responsibilities. (And, be it said, there are listeners whose musical tastes are for highest art, and who merit their share of air-time).

Yet Classic FM's cheery manner has apparently made BBC policy-makers anxious. How else to account for Radio 3's barrage of chit-chat aimed at us in the early morning, and in that late-afternoon slot which was once a helpful way of easing oneself into the matter of the evening – be it preparing dinner, travelling home, or getting ready to go out.

Adieu the brief announcements and the unemphatic voices. Babble is all. There is a too-bright young man in the morning who cannot stop telling us his name: it is like having an uneasy guest at the breakfast-table. (He also cannot pronounce "ons", preferring "wan"). There are interviews, oh so matey and first-namey, with assorted worthies. (One female announcer, her voiced pitched to tones of direst chumminess, promoted a detestable American choreographer during the Edinburgh Festival. If the BBC is prepared to do such commercial sponsorship, then there are many better candidates for puffery).

Classic FM is frank in its willingness to let people know about music on the most undemanding terms. Standards are variable: a Beethoven concerto once consisted only of the opening orchestral *tutti*, and the belief that the *Yellow River Concerto*, a piece of Maoist committee work, is even remotely music, is open to question. But it plays a wide range of good music, and we accept the nonsense of the commercial breaks (though I swear I will never buy one of those sofas) for the sake of the station and its aims. It knows exactly what it is, and why it is doing it.

So, I trust, does BBC Radio 3. Yet if it cannot be true to its own past integrity, to its uncompromised standards, even in so slight a thing as morning and afternoon broadcasts, then trouble looms. The path down-market is slippery. Cut the cackle, and get back to the musical 'osses.

Radio/**B A Young**

Yesterday's crooner

RADIO 2 is generous to yesterday's favourites. We have Dusty Springfield this week and also a more interesting one, Michael Holliday, "Britain's Bing Crosby", who committed suicide aged 38 some 30 years ago. Dennis Lotis presented a survey on *Tuesday, but did not* reach the conclusions I did. Holliday had a lovely voice and wrongly spent his life challenging Crosby instead of an opera star like Thomas Allen.

He gave his rich, deep baritone impeccable intonation, faultless breathing, as much understanding as possible of the shallow songs, and no accent. He left school at 14, served in the Merchant Navy and the Royal Navy, and learnt to play the guitar. What musical future for him except as a *popular singer? He* was not good-looking and was too unpunctual and forgetful to be cast in a musical (sometimes he had to invent new words as he sang). A sad loss of talent.

Mike Harris' *Dark Messiah* (Radio 4, Monday) takes an unusually strong line against missionaries. It is set in a Methodist mission in Kikuyu territory in Kenya in 1929 and its theme is female circumcision. This was common when I was in Africa in the 1940s: indeed a doctor in Nairobi showed me a film he had made of the procedure, a purely routine affair, he said. These missionaries think it un-Christian. When 12-year-old convert Susan (Viviene Rochester) has to be done to marry convert Benjamin, a chief's son, there is bound to be trouble – especially as Benjamin's grand*mother is against* the conversion of decent Kikuyu girls.

There is interesting detail about the mission even if the missionaries are dull. Their leader (John Church) has to mediate between the government and the Kikuyu Christian Association, whose activities grow increasingly Kikuyu. There is a resident assistant (Gudrun Ure), dealing with African girl converts. "Girl-catcher", the Africans call her, and in the dreadful conclusion that caps the fuss over Susan's decision to go along with tribal custom, she is held in the sickbed where she is dying of fever and forcibly circumcised.

Howling at the Moon (Radio 4, last Saturday) was an informed programme on werewolves, with references to such sources as Petronius and John Webster. It traced the habit of turning into wolves to the envy of primitive men, who would dress up as wolves, those exemplary hunters. In the 16th and 17th centuries there were many cases against people accused of lycanthropy, which was associated with witchcraft. In eastern Europe the transference took another line and gave birth to vampires.

Humans turn into horrible creatures in fairy-tales – consider Red Riding Hood – and such stories go on, mostly for children. So what did we find on Radio 5 last night but the tale of Eloise, in Joe Turner's *Twentieth Century Vampire*, a checkout girl at the Co-op with a vampire Aunty Lucretia. At a party at Lucretia's suburban castle, she hopes to try her teeth out on Wayne from the meat-counter. It goes on for six parts, just like any old legend from France or Hungary, only more outspoken.

If you go for legends, Radio 3 on Tuesday gave a new version of Dante's *Inferno*. Peter Howell rewrote it as if Dante (Alec McCowen, excellent) conducted a bus-load of visitors around the infernal regions. These were seen afresh in the light of our modern world, and if it seemed cinematic, that is how it should have seemed. There was ultra-cinematic music from the BBC Radiophonic Workshop, performed by Serenata Notturna and Singcircle. First heard in 1989, it was much better than the example they gave us last week.

ARTS

Why we should privatise the RSC

THE Royal Shakespeare Company has had a good year. As it unveiled its 1992/93 accounts in Stratford this week, it revealed an operating surplus of £128,906, a return of 0.48 per cent on total costs of just over £26.5m. Many of its productions in both Stratford and London have been playing at more than 80 per cent of capacity audiences – a fine record by any standards, especially during recession.

The results of the Royal National Theatre, the nearest analogue to the RSC, are less satisfactory. It reported an operating loss of £565,000, or 2 per cent of turnover. But there is no point in making invidious comparisons. Theatre has its ups and downs. In 1990/91 the RNT had an operating surplus of £310,000.

Yet even if the RSC and the RNT had made profits of £1m apiece, there would still be bleats about what is to come, just as there were at the RSC's annual meeting of its Court of Governors on Wednesday. Sir Geoffrey Cass, chairman of the council, warned of difficult decisions ahead in the light of possible government cuts in the arts budget.

Prince Charles, who as patron of the RSC chaired the meeting, went along with him in general terms. He could not understand, he said, why Britain is so bad at appreciating what it is really good at.

The problem is the subsidy. At the RSC it is down to 38.79 per cent of costs, against 42.12 per cent in 1991/92. Just over £8m of it comes from the Arts Council and another £1.4m from the Corporation of London. Those are substantial amounts. The RNT is subsidised even more: in 1991/92, 44.4 per cent of its income came from grant in aid. The fear is that if the subsidies decline, or even at best stand still, the quality and variety of the two big subsidised theatres will go down with them. That is the conventional wisdom.

Yet the more one hears the arguments and looks at the figures, the more one wonders if the conventional wisdom can be right. For a start, we have been here before. Laments about a financial crisis in the arts are part of the landscape. Even if the government bows to the lobbies and allows a little more money for the arts than it otherwise might, there is no reason to believe that we shall not be here again within a year or two.

Is it not time for at least the two big theatre companies to break away from the system? It cannot be done overnight. The subsidies are so fundamental they would have to continue for a while. But there are possibilities for the longer term.

Remember that the government will shortly have extra money available for the arts from the national lottery. It could allocate part of that to pay off the accumulated deficits of of the RSC and the RNT once and for all, then set a deadline for when the subsidies would stop, after tapering off on the way.

It would be a great help if the theatres could could have some ideas of their own. For example, I can see no insurmountable reason why the RSC and the RNT should not be privatised. This is not a hostile capitalist device and indeed is not much different from becoming a co-operative. Many people might want to buy shares: actors, theatre-goers, impresarios, even the public. You could revert to the old BP solution where the state held just over half the shares and the rest were privately owned, or the other way round. There are masses of variants, including a management buy-out.

Yet for anything like that to happen, there will have to be one radical and early change. This is in the attitude to seat-pricing. The idea is around that going to the theatre is expensive. In its annual report, the RSC notes that the highest priced seat for the Royal Shakespeare Theatre in Stratford is £30, the lowest £4.50. At the Barbican the range is from £20 down to £4.50. Overall, the subsidy per paid admission is £9.54.

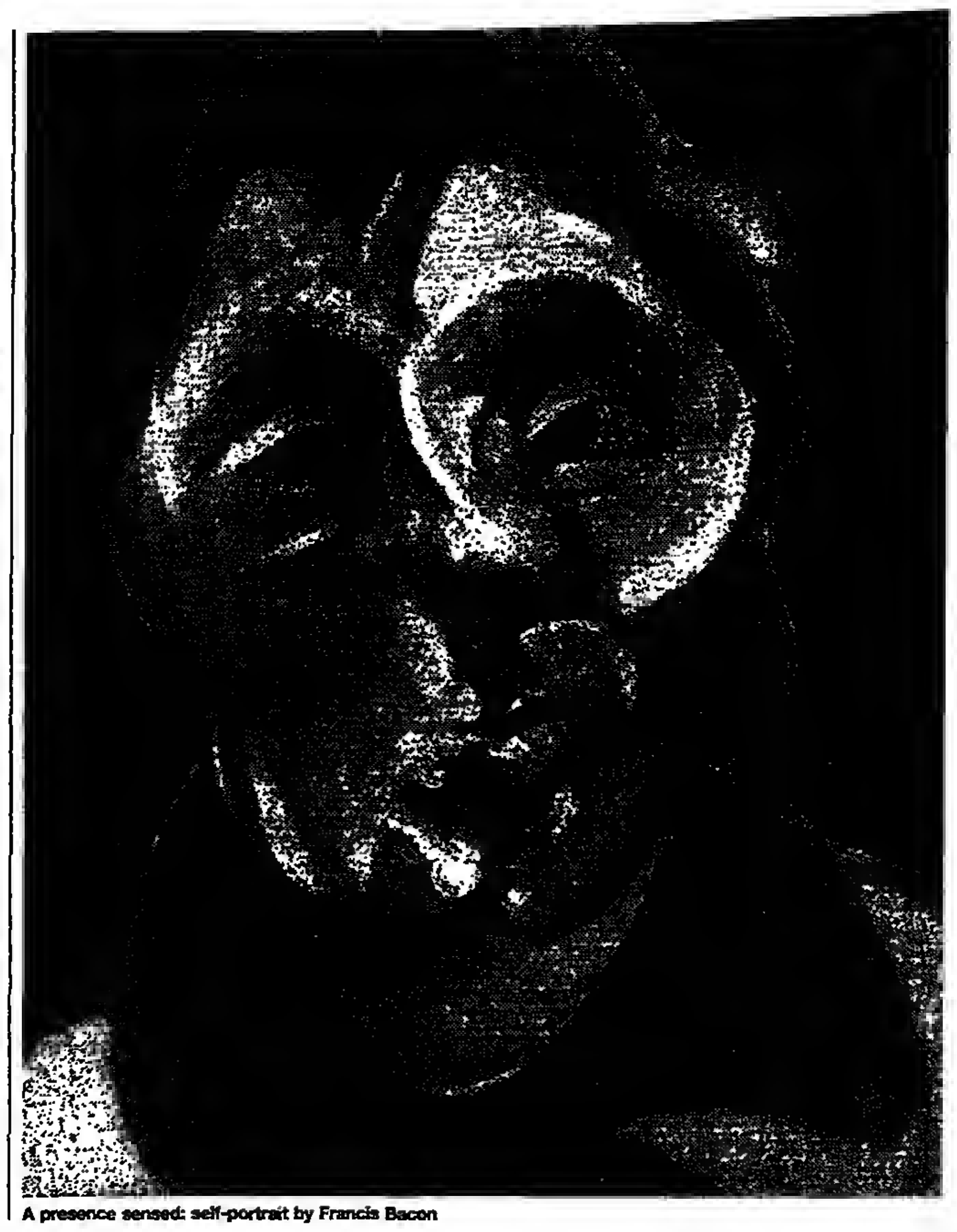
Somehow it has become fixed in the collective mind that those top prices are extravagant. That is nonsense which must be challenged. The basic question is how much it costs to put on a good show plus some profit, just as it is for the production of any other consumer good.

If you believe that £30 is excessive to watch a delightfully professional RSC performance of *Love's Labour's Lost*, such as opened in Stratford this week, think of the frivolities on which you might otherwise be spending your money: £60 for a second rate dinner in London, £30 for a haircut and another £20 for a book of unread political memoirs. Something has gone badly wrong between cost and price.

Of course, cheaper prices would remain for students, pensioners and the unemployed. But the idea that prices in general should be kept artificially low by subsidy is already damaging and will become even more so as the subsidies fail to increase. It is a bit like British Rail, where nobody seems to know any more how the pricing system works and any attempt at a rise is resisted.

This is the real downward spiral. Unlike BR, the theatre is still efficient enough to begin to reform itself. It will not do so by bleating.

Malcolm Rutherford



A presence sensed: self-portrait by Francis Bacon

Caught by the artist's snapshot

William Packer on an intimate showing of Francis Bacon works

INTIMATE is hardly the word most would use to describe Francis Bacon's art. Yet he was in some ways the most intimate of painters. The remarkable exhibition now at the Marlborough in London, which includes many loans from private collections, brings out two aspects of his work often overlooked.

First, it shows that for all the larger scale and formulaic presentation that Bacon came to adopt in his later work, his first and lasting reputation, in all its strength and expressionist authority, was founded on images of moderate size. Some of the strongest works are, in comparative terms, almost shockingly small. No matter how generalised the final resolution of the figure might seem to be, it was always based directly upon his response to a particular human presence. The physical immediacy and conviction of the result was never compromised by fact that he often used secondary and photographic sources as working references.

The show is of small studies for portraits of the sort he made consistently through the last 30 years of his life, the earliest dating from 1961. He had painted heads before, notably the screaming Popes after Velazquez, and the death-mask images of William Blake, but it was only then that this particular format was set. He had always responded to the visual stimulus of the image caught on the wing, the film-still, the snap-shot and newspaper photograph, and now was clearly fascinated by the serial image of the photo-booth and mug-shot, with its curious compound of arbitrary directness, informality and self-consciousness.

The head is cropped, constricted, close up, the subject a specimen beneath the microscope or victim strapped into the dentist's chair. Here is nothing of the quality we find in the work of Lucian Freud, for example, or, in its different way, of Frank Auerbach – of the artist confronting and scrutinising the model over an extended period, sharing a common spaca and temporal experience. Rather it is a matter of the moment, of the fleeting expression, the half smile, the fatuous grin; the turn of the head, the trick of the mouth.

The development of the image, too, is a serial affair, coming less from the particular and objective scrutiny even of the photographic image over a given and limited period, than from an extended familiarity with the subject in personal terms. For Bacon worked from few sitters, but tended to return to them repeatedly – Muriel Belcher, the formidable *patronne* of the Colony Room; Isabel Rawsthorne; Henrietta Moraes; Lucian Freud; George Dyer, his long-time companion; John Edwards, his heir. But, more than any of them, he painted himself, and while as single spies the self-portraits are no secret, thus brought together, it is not just their number but their insistent, cumulative quality that comes as a considerable surprise.

Many of the images are single shots, but the diptych and triptych follow naturally from the photo-strip, and suddenly we remember that it was by virtue of that first triptych, the *studies for figures at the foot of a Crucifixion* of 1944, that Bacon woke up Byron-like to find himself famous. He continued to use the device in his larger, more public work throughout his career. Yet here again, with these small, intimate and private paintings, we are brought up short, for among them we find particular twos and threes brought

'His reputation was founded on images of moderate size'

together to make up some of the most powerful and properly monumental works of the entire oeuvre.

One in particular, a triptych of 1977, of one self-portrait set with two still-life panels, makes one wish only that there might be a body of similarly intimate still-lifes to match the portraits. And, curiously, these characteristically pulled, twisted, distorted, truly manhandled heads and faces come together as a cumulative whole in celebration, not of some bleak and dreadful vision of a depraved humanity, but of something altogether more cheerful. The images are vital and alive, the paint laid on with a sensual and positive enjoyment, the drawing vigorous and positive. The likeness lies with a presence not closely described but known and sensed, as it blinked and, shifted, alive in every broad sweep of the brush across the surface of the canvas. Oh dear, we say, as we press the shutter, you must have moved.

Francis Bacon – small portrait studies: Marlborough Fine Art, 6 Arlbemarle Street, London W1, until December 3.

Off The Wall / Antony Thorncroft

The future of Britain's art treasures? It's a lottery

FOR ANYONE interested in Britain's heritage this was the week of the bad news and the good news. The bad news came first. On Tuesday the annual report of the *Reviewing Committee on the* Export of Works of Art bewailed yet again the important national treasures sold abroad during the past year.

The next day came the good news, with the National Heritage Memorial Fund reporting how it spent its money saving for the nation everything from Old Masters to rare tracts of countryside.

But, as the Reviewing Committee points out, "it is an ill wind that blows nobody some good". The collapse in the art market over the last three years has reduced the flow of masterpieces seeking export licences, and only 20 objects were important enough to attract the attention of the Committee in 1992-93 as against 47 in the previous year. Of course British museums and art galleries are still unable to raise the cash to keep important works in the UK, and of the 15 objects that the Committee temporarily barred from leaving the country eight eventually left.

Inevitably they were the most valuable, and included grand Old Master paintings by Guido Reni, Ribera and Bellotto. There was absolutely no chance that a British institution could find the £11m needed to match the Getty Museum's offer for Turner's vibrant seascape "Von Tromp going about to please his masters". The Committee would have been prepared to let it go without a struggle but for the fact that it was being sold by Royal Holloway College. Its export was delayed for six months to show how much the committee disapproved of the college selling works bequeathed to it in perpetuity by its founder.

This bronze lion, made in Spain around 1100, sold for £2.4m at Christie's in London, a high for an Islamic artifact

Not that Royal Holloway showed any signs of repentance. This week it did it again, and is £3.5m richer after dispensing with a Gainsborough landscape. The mysterious new owner said he was willing to loan the picture back occasionally to the College which suggests that it was bought by Sir Andrew Lloyd Webber, who lives nearby and is the only person in the world currently paying this sort of price for a British picture.

The Heritage Fund, the Government financed safety net to shore up the nation's heritage – artistic, natural, and industrial – also had a quiet year. Its main achievement was securing Joseph Wright of Derby's "An Iron Forge" for the Tate with a £900,000 grant. As ever the 67 successful applications for its aid, out of a reduced total of 163 requests, included curiosities: a remnant of wildwood in Huntingdon; the turn-of-the-century wagon of a travelling showman; and 270 films showing the London Fire Brigade in action during the second world war.

The Fund needs a quiet time. It is frantically preparing for 1995 when it takes over the distribution of the heritage pot of Lottery money. It has a staff of seven and in 1994 its annual grant is a reduced pittance of £7.8m. A year later it will have at least an additional £75m to distribute.

Although the Lottery is aimed at capital projects, and much of the money will go towards restoring country houses, cathedrals, museums, etc, Lord Rothschild, chairman of the Fund, made it clear that the money can also be used to keep important works of art in the UK.

There is an obvious danger that crafty owners might try and arrange sales overseas at outrageous prices in the expectation that the Fund will step in with matching sums. The Fund is aware of the danger. It is already concerned at what it considers excessive valuations put on some of the archives of historical manuscripts which have come on to the market in recent years. It has made its displeasure known.

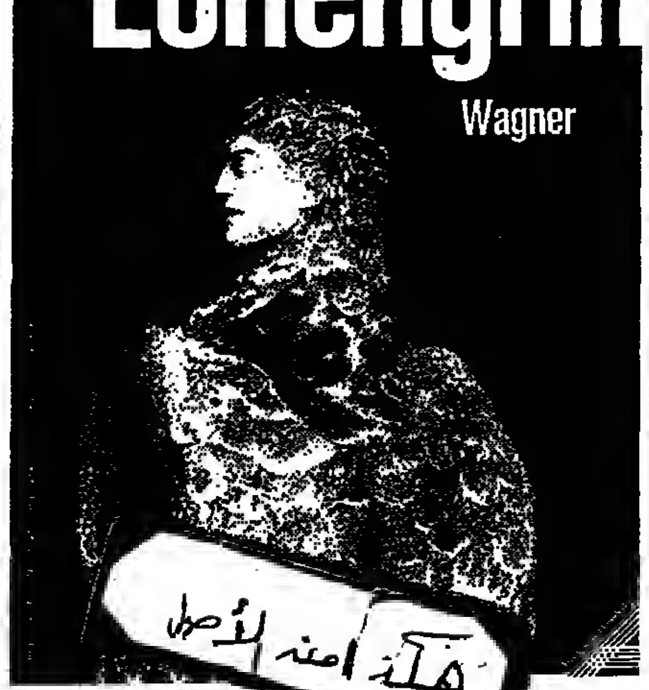
In theory, with new EC regulations shortly to come into force to allow the return of smuggled works of art; tha Reviewing Committee in place to delay the export of treasures; and the Heritage Fund at last better able to help museums anxious to acquire artworks in danger, the UK's sorry record in squandering its cultural history should end. It sounds too good to be true.

The Lottery money cannot arrive too soon. There are signs of the art market recovering its nerve. The last few weeks have seen a spate of high, indeed record, prices. Not in London, which seems to be slowly slipping away as the centre of the international trade in art, but in those places overseas where fortunes are still being made.

The auction houses see their salvation in south east Asia. This week Christie's brought in £12m from Hong Kong sales of oriental art and Sotheby's £11.5m, with new collectors from Taiwan, Singapore and Korea often out-bidding the traditional Japanese and Hong Kong buyers. In Europe Sotheby's made £3.5m from Greek and Roman coins in Zurich while the clear out in nearby Regensburg by Princess Gloria of Thurn and Taxis of more than 6,500 lots of high class tat from her numerous palaces raised £12.8m, double the estimate. As always bidders were prepared to pay over the odds for a conventional item with an aristocratic provenance.

Christie's in New York managed an auction record for a photographic image, when Steiglitz's photograph of the hands of his wifa Georgia O'Keefe sold for £260,458, while London made some contribution, with a high for an Islamic artifact, £2.4m for a bronze lion made in Spain around 1100.

Chess No 994
1 Be8! Qe5 2 Rhe1 Resigns. If Qxe1 3 Bf7+!



TELEVISION

SATURDAY

BBC1

7.00 Lassie. 7.25 News, Weather. 7.30 Working Together. 7.45 Felix the Cat. 7.55 Peter Pan and the Pirates. 8.15 Marlene Marlowe Investigates. 8.35 Tom and Jerry's Greatest Hits. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Dougie Donnelly. 12.20 Football Focus: Update on play in the FA Premiership. 1.00 News. 1.05 Motor Sport: Nigel Mansell talks to Murray Walker about his IndyCar Championship win. 1.15 Snooker: The Grand Prix. Semi-final action from The Hexagon, Reading. 1.25 Racing from Ascot: The 1.30 Binfield Juvenile Novices Hurdle Race. 1.40 Snooker. 2.00 Racing: The 2.05 Steel Plate and Sections Young Chasers Qualifier. 2.15 Snooker. 2.30 Racing: The 2.35 United House Construction Steeple Chase (H'cap). 2.45 Snooker. 2.55 Rugby League: Great Britain v New Zealand at Central, Park Wigan. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 Happy Families.
6.15 Dad's Army. The people of Walmington-on-Sea become complacent about the threat of invasion – so the platoon masquerade as German troops to rekindle local vigilance.
6.45 Noel's House Party.
7.40 Big Break. Snooker professionals Dennis Taylor, Paul Davies and Dave Roe help contestants compete for the mystery star prize.
8.15 Casualty. A man's desperate bid to boost his self-esteem by making a parachute jump ends in disaster, and a male stripper gets a warmer reception than anticipated.
9.00 Harry. The wily reporter on the trail of an axe-man, and Jonathan looks into the novel way some students supplement their grants.
9.50 News and Sport; Weather.
10.10 Match of the Day. Highlights from two FA Premiership matches, and goals from the rest of the afternoon's fixtures.
11.15 Danny Baker After All. Candid chat show, hosted by Danny Baker.
12.05 Film: Ziggy Stardust and the Spiders from Mars. David Bowie's legendary 1973 concert when, in the guise of Ziggy Stardust, he announced his retirement from the stage (1982).
1.35 Weather.
1.40 Close.

BBC2

5.10 Open University. 8.55 Macgregor's Scotland. 10.25 Dhoop Kinarey (English subtitles). 11.05 Network East. 11.35 Chanakya (English subtitles).

12.15 Film: Macbeth. Shakespeare's play about a nobleman's thirst for power which leads to murder and deception. Adapted by Orson Welles (1948).
2.00 Michael Barry's Choice Cuts.
2.10 Civilisation. Sir Kenneth Clark visits the Florentine palaces of Urbino and Mantua, centres of the Renaissance.
3.00 Film: The Magnificent Ambersons. Orson Welles' period drama about the trials and tribulations of a proud family adjusting to the industrial age. With Joseph Cotten (1942).
4.25 Snooker: The Grand Prix. The deciding frames of the first semi-final from The Hexagon in Reading.
5.30 Late Again. Highlights of the week's Late Show programmes.
6.15 Scrutiny. Anne Perkins investigates parliamentary committees.
6.45 News and Sport; Weather.
7.00 Snooker: The Grand Prix. Further coverage of today's semi-final from The Hexagon in Reading.
8.30 Have I Got News for You The satirical news quiz returns with a special edition devoted to Margaret Thatcher's premiership.
9.00 Bill and Hillary's Excellent Adventure: The War Room. First of three programmes to mark the first anniversary of the election victory of president Bill Clinton, the first Democrat in the White House for more than a decade. The War Room details the chaos and drama behind the scenes of the Clinton election campaign, focusing on the contributions made by chief political strategist James Carville and communications director George Stephanopoulos.
10.35 Presenting the President. Comedian Mo Gaffney profiles Bill and Hillary Clinton, showing how their lives have been affected by their status as America's number one couple.
11.20 Clinton Country? Politicians, writers and commentators join journalist Michael Kinsey to review president Clinton's leadership so far and his prospects for the future.
12.05 Snooker: The Grand Prix. David Vine introduces the second semi-final.
1.50 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speakeasy.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos. A review of Hocus Pocus, a witch story starring Bette Midler.
1.40 Wanted: Dead or Alive. Josh has a disagreement with two unscrupulous bounty hunters.
2.10 International Rugby Union. France v Australia in the first of two tests from Bordeaux. Alastair Hignell presents live coverage, with commentary by John Taylor.
4.10 WCW Worldwide Wrestling. Action with the American giants.
4.40 ITN News and Results; Weather.
4.50 London Tonight and Sport; Weather.
5.15 Catchphrase.
5.40 Gladiators. Contenders from Swansea, Reading, Thorpelands and Kent take on the might of the muscle-bound warriors in Birmingham's National Indoor Arena.
6.40 Blind Date. Cilla Black plays matchmaker to another handful of romantics.
7.40 The Bill. Sgt Cryer and DCI Meadows join forces to arrest the burglar responsible for a warehouse break-in.
8.10 Michael Winner's True Crimes. New series. Real-life crime drama, reconstructing the work involved in bringing criminals to justice. The first of seven programmes looks at how the police caught the man responsible for bombing the Grand Hotel in Brighton during the Conservative Party Conference of 1984.
8.40 ITN News; Weather.
8.55 London Weather.
9.00 Film: Tequila Sunrise. Former drug dealer Mel Gibson and dedicated cop Kurt Russell are old high school friends on opposite sides of the legal fence who come into conflict when they both fall for the same girl (Michelle Pfeiffer). With Raul Julia, JT Walsh and Arye Gross (1988).
11.05 Film: Texasville. A middle-aged oil magnate's marriage begins to deteriorate in small-town America. Sequel to The Last Picture Show. With Jeff Bridges and Cybill Shepherd (1990).
1.20 The Big E.
2.20 New Music; ITN News Headlines.
3.25 European Nine-Ball Pool Masters.
4.20 Get Stuffed
4.25 BPM.

CHANNEL4

6.00 Early Morning. 9.45 The American Football Big Match. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Lets, in Her Own Voice.

1.05 Mr Magoo. Cartoon chaos.
1.15 Racing from Newmarket and Wetherby. From Newmarket: The 1.40 Sporting Life Zetland Stakes, 2.10 Ben Marshall Stakes (H'Cap), 2.45 Royston Stakes, and the 3.15 Ladbroke Autumn Handicap. From Wetherby: The 1.55 Tote Yorkshire Hurdle, 2.25 Charlie Hall Chase, and the 3.30 Arthur Stephenson Novices' Chase. Introduced by Brough Scott and Derek Thompson.
4.00 World Chess Championship. The latest moves from the Short v Kasparov speed chess challenge at London's Savoy Theatre.
5.05 Brookside; News Summary.
6.30 Right to Reply.
7.00 A Week in Politics. Vincent Hanna and Andrew Rawnsley take an offbeat look at the week's developments in Westminster. News Summary and Weather.
8.00 World Chess Championship. Carol Vorderman introduces live coverage of the Nigel Short v Garry Kasparov speed chess challenge at London's Savoy Theatre. Commentary by Raymond Keene, Jonathan Speelman and Daniel King, and twice British Women's Chess Champion Cathy Forbes.
8.30 Whose Line is it Anyway? Jim Sweeney, Steve Steen, Stephen Frost and Tony Slattery join Clive Anderson for another round of improvised skits and sketches.
9.00 The Camomile Lawn. Uncle Richard's unexpected visit to London throws Helena's relationship with Max into turmoil. Steamy drama, with Paul Eddington, Felicity Kendal and Oliver Cotton (Repeat).
10.05 Rory Bremner: Who Else? Topical humour and impersonations with the man of many faces as he surveys the world's news. Plus, a selection of cartoons by Steve Bell.
10.45 Film: The Killing of a Chinese Bookie. Ben Gazzara plays a nightclub owner who murders a Chinese bookmaker to cover his own gambling debts. With Seymour Cassel (1976).
12.40 World Chess Championship.
1.20 The Emigrants. (English subtitles).
3.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:
ANGLIA: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 The Littlest Hobo. 1.45 COPS. 4.10 Bigfoot in Action. 4.55 Anglia News and Sport 5.15 Anglia Weather. 11.05 Halloween. (1978)
BORDER: 12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Kick Off. 1.40 Granada Sport: Action. 4.55 Border News. 5.00 Sports Results. 11.05 Halloween. (1978)
CENTRAL: 12.30 America's Top 10. 1.05 Central News 1.10 Cartoon Time. 1.15 COPS. 1.45 Movies, Games and Videos. 4.55 Central News 5.00 The Central Match – Goals Extra. 5.05 Local Weather. 11.05 Halloween. (1978)
CHANNEL: 12.30 Movies, Games and Videos. 1.05 Channel Diary. 1.10 Sail the World. 1.45 The Munsters Today. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.
GRAMPIAN: 12.30 Pick a Number. 1.05 Grampian Headlines 1.10 Tiswas. 4.55 Grampian Headlines 5.00 Grampian News Review. 11.05 Halloween. (1978)
GRANADA: 12.30 Movies, Games and Videos. 1.05 Granada News. 1.10 Kick Off. 1.40 Granada Sport: Action. 4.55 Granada News. 5.05 Goals Extra. 11.05 Halloween. (1978)
HTV: 12.30 Movies, Games and Videos. 1.05 HTV News. 1.10 The A-Team. 4.10 Sail the World. 4.55 HTV News and Sport 5.05 HTV Weather. 11.05 Halloween. (1978)
MERIDIAN: 12.30 Movies, Games and Videos. 1.05 Meridian News. 1.10 The Munsters Today. 4.55 Meridian News. 11.05 NBA Basketball.
SCOTTISH: 12.30 Movies, Games and Videos. 1.05 Scotland Today. 1.10 Tiswas. 4.55 Scottish Weather. 11.05 Scottish Books. 11.35 The Art Sutter Show.
TYNE TEES: 12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Munsters Today. 2.05 Cartoon. 4.10 Make 'em Laugh. 4.55 Tyne Tees Saturday 11.05 Halloween. (1978)
ULSTER: 12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.45 Dinosaurs. 4.55 UTV Live News 5.00 Saturday Sport. 5.55 UTV Live News 11.05 Halloween. (1978)
WESTCOUNTRY: 12.30 Movies, Games and Videos. 1.05 Westcountry Weekend Latest. 1.10 Dinosaurs. 1.45 Anybody Out There? 4.10 Superstars of Wrestling. 4.55 Westcountry Weekend Latest. 11.05 Halloween. (1978)
YORKSHIRE: 12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Munsters Today. 2.05 Cartoon. 4.10 Make 'em Laugh. 4.55 Calendar News. 11.05 Halloween. (1978)
S4C Wales as Channel 4 except: 7.05 Early Morning. 12.00 Cynhadledd Plaid Cymru '93. 12.45 Sign On. 6.30 Cwlwm Serch. 7.00 Newyddion. 7.15 Bacha Hi O'Ma. 8.00 Tocyn Tymor. 9.00 Pris Y Farchnad. 10.45 Snwcer. 11.20 Mr Love. (1986)

SUNDAY

BBC1

7.25 The High Chaparral. 8.15 Breakfast with Frost. 9.15 Faith to Faith. 9.30 This is the Day. 10.00 See Hear! 10.30 Winning. 11.00 Careering Ahead. 11.30 Measure for Measure.

12.00 Blooming Bellamy. David Bellamy visits a Welsh village to investigate ancient herbal remedies.
12.30 CountryFile. Rural and agricultural issues.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 On the Record. With the set-back of the railway privatisation bill, and rebellious Conservative backbenchers, John Humphrys talks to transport secretary John MacGregor.
2.00 EastEnders.
3.00 Film: The Rare Breed. A woman becomes romantically entangled with two feuding cattlemen in 19th century St Louis: Comedy with James Stewart, Maureen O'Hara and Brian Keith (1966).
4.35 Lifeline.
4.45 Stay Tooned.
5.10 Children in Need: Pause for Pudsey. Andi Peters reports on the latest charity events and shows how donations are helping youngsters receive life-saving bone-marrow transplants.
5.20 The Clothes Show. The spotlight shines on the catwalks of Milan, Paris and London in this extended edition devoted to new designs for spring and summer 1994.
6.15 News.
6.25 Songs of Praise. Cliff Richard discusses his work with the Tear Fund in celebration of the 25th anniversary of the Christian aid agency.
7.00 Last of the Summer Wine.
7.30 Lovejoy. The discovery of an ancient Chinese cannon draws Lovejoy into a bitter feud between rival dealers hoping to get their hands on the weapon.
8.20 Birds of a Feather.
8.50 News and Weather.
9.05 Scarlet and Black. New series. Three-part adaptation of Stendhal's classic novel, with Ewan McGregor and Martin Jarvis.
10.25 Everyman. New series. The relationships between Aids sufferers and their "buddies" – strangers who have volunteered to befriend them and ease their suffering.
11.15 Shoulder to Shoulder: Christabel Pankhurst. Violence erupts between the suffragettes and police in Parliament Square. With Patricia Quinn and Sian Phillips.
12.30 Weather.
12.35 Close.

BBC2

7.20 Poddington Peas. 7.25 Playdays. 7.45 Wishing. 7.55 Felix the Cat. 8.10 Blue Peter. 9.00 Albert the 5th Musketeer. 9.25 Jonny Briggs. 9.35 Time-Busters. 10.05 Rugrats. 10.30 Grange Hill. 10.55 Growing Up Wild. 11.20 The All-New Popeye Show. 11.45 The O Zone. 12.00 Stingray. 12.25 pm Gunsmoke. 1.15 The Phil Silvers Show.

1.40 The Living Soap. Will romance blossom among the students as they get to know one another better?
2.00 Around Westminster. The region's political developments.
2.30 Snooker: The Grand Prix. Coverage of the first session in the final from The Hexagon in Reading.
4.40 World Chess Championship. Round-up of the latest moves from Karpov v Timman in Indonesia.
5.10 Rugby Special. South West v New Zealand. Redruth welcomes the All-Blacks for the first match in the CIS Series.
6.15 One Man and His Dog. Irish handlers take part in the international sheepdog trials from Chatsworth in Derbyshire.
7.00 The Money Programme. Report on rich businessmen and women willing to risk their cash to ensure the success of small businesses.
7.40 The Theatre School. New series. Documentary following the progress of six aspiring actors as they struggle to win a place at London's prestigious Drama Centre.
8.15 Locomotion. New series. The worldwide impact of railways is explored in the first of six programmes charting the history of train travel.
9.00 Notes and Queries with Clive Anderson. New series. Answers to life's most bizarre questions, with guests Richard O'Brien, Nigel Dempster and PD James.
9.35 Horizon Special. An investigation into evidence that males throughout the animal kingdom are gradually losing the ability to reproduce.
10.25 Snooker: The Grand Prix. David Vine reports on the final.
11.50 Filmworks. An introduction to tonight's film.
12.00 Film: The Asphalt Jungle. John Huston's acclaimed crime thriller, chronicling the activities of crooks as they gather to organise their latest heist. Starring Marilyn Monroe in her first major role, alongside Sterling Hayden, Louis Calhern, Sam Jaffe and Marc Lawrence (1950).
1.45 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 Sunday Morning. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Brian Walden talks to John Hume MP, leader of the nationalist SDLP.
2.00 NBA Basketball. New series. The Orlando Magic v the Atlanta Hawks at Wembley Arena.
2.55 The Sunday Match. Birmingham City v Millwall. Live coverage of the Division One match.
5.05 Murder, She Wrote.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Seaquest DSV. Capt Bridger and his crew discover an underwater tomb full of priceless treasures. Starring Roy Scheider, with a guest appearance by Topol.
7.30 Heartbeat. Nick is puzzled by wife Kate's reaction when a relation visits with important news. Meanwhile, a death in the village throws a family's wedding plans into turmoil. Rural drama set in the Sixties, with Nick Berry, Niamh Cusack.
8.30 You've Been Framed!
9.00 London's Burning. A new female fire-fighter joins the team. Meanwhile, Blue Watch are called to the scene of a massive scaffolding collapse.
10.00 Hale and Pace. Last in series.
10.30 ITN News; Weather.
10.40 London Weather.
10.45 The South Bank Show. Focus on French ballerina Sylvie Guillem, who caused a national uproar when she fled her native country for the Royal Ballet four years ago. Since arriving in England, Guillem has refused interviews and filming of her work. Now, she breaks her silence for this extensive profile, which includes dances created especially for the programme.
11.45 Sail the World. A review of the first leg in the Round-the-World yacht race. With Alison Holloway, Gareth Evans and Tracy Edwards.
12.15 Cue the Music.
1.15 Get Stuffed; ITN News Headlines.
1.20 War of the Worlds.
2.10 Get Stuffed; ITN News Headlines.
2.15 Derrick.
3.25 On the Grid.
3.55 Get Stuffed.
4.00 Pro-Box Classics.
5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.25 Wowser. 9.45 Laurel and Hardy. 9.50 Dog City. 10.15 Beat That Sport. 10.45 Land of the Giants. 11.45 Little House on the Prairie. 12.45 pm Bush Tucker Man.

1.15 Football Italia. Action from one of the top Serie A matches.
3.30 Film: Carry on Admiral. Maritime farce about a parliamentary press secretary and a Navy officer who unwittingly exchange identities after a drunken binge. With David Tomlinson (1957).
5.00 News.
5.05 World Chess Championship. Review of the PCA tournament between Nigel Short and Garry Kasparov.
6.00 Teenage Health Freak.
6.30 The Cosby Show.
7.00 Equinox. Current research into the mechanisms of the human memory. Dr Caroline Rovee Collier from Rutgers University explains the way babies remember people and events and Dr Gary Lynch examines the biochemicals responsible for the preservation of memories. These theories are counter-balanced by the experiences of amnesia sufferers at St Andrew's Hospital in Northampton, who explain the often tragic effects of their condition on every-day life.
8.00 Classic Motorcycles.
8.30 Screaming Reels. The Bill's Huw Higginson spends a day angling in Ireland, and designer Sandra Halkon Hunt reveals the latest fishy fashions.
9.00 Witness. A visit to Washington DC to investigate the horrific effects of crack. The programme reveals disturbing evidence that 3,000 crack-related murders have been committed since the drug's initial production, and includes an interview with a female addict forced to leave her children with their grandparents while she attempts to cure her habit.
10.00 Film: Mystery Train. Jim Jarmusch's comedy drama, interweaving three stories taking place during the night shift at a seedy hotel in Memphis, Tennessee. Part of the Made in the USA season. (1989).
12.00 Film: Tender is the Night. Leonardo Henriquez's intriguing character study, offering an offbeat view of mankind as seen in a bar where the real world overlaps with fantasy elements. Constanza Giner, Diego Risquez and Mariangelica Ayala star. (1992).(English subtitles).
1.40 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:
ANGLIA: 12.30 Help. 12.55 Anglia News. 3.00 On the Grid. 2.30 The Magnificent Showman. (1964) 6.00 Bullseye. 5.30 Anglia at War. 6.00 Anglia News on Sunday 10.40 Anglia Weather.
BORDER: 12.30 Gardener's Diary. 12.55 Border News. 2.00 Carry On Teacher. (1959) 3.35 Highway to Heaven. 4.30 Scotsport. 5.30 Go for Goal. 6.00 The Border Week. 6.15 Border News.
CENTRAL: 12.30 Take 15. 12.45 Central Newsweek. 12.55 Central News 6.00 Central Lobby. 2.25 1st Night. 2.50 The Central Match – Live. 5.20 Life Goes On. 6.10 Central News 10.40 Local Weather. 11.45 Prisoner: Cell Block H.
CHANNEL: 12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Teleforral. 6.00 Highway to Heaven. 6.00 A Caribbean Mystery. (TVM 1983) 4.45 Father Dowling Mysteries. 5.45 The Village. 6.15 Channel News. 11.45 Serve You Right.
GRANADA: 12.25 Granada on Sunday. 12.55 Granada News 3.00 Highway to Heaven. 3.00 Daffy Duck. 3.10 The Assassination Bureau. (1968) 5.10 Go for Goal. 5.45 Animal Country. 6.10 Granada News
HTV: 12.30 HTV News. 12.35 HTV Newsweek. 2.00 Inner Journeys. 2.45 The West Match. 3.25 The Beasts Are in the Streets. (TVM 1978) 5.15 Dinosaurs. 5.45 Anybody Out There? 6.10 HTV News. 10.40 HTV Weather. 11.45 Wanted: Dead or Alive.
HTV Wales as HTV except: 12.35 Playback. 2.00 Wales on Sunday. 2.30 Murder, She Wrote. 6.15 Tellyphonin'.
MERIDIAN: 12.30 Seven Days. 12.50 Meridian News. 2.00 Highway to Heaven. 6.00 A Caribbean Mystery. (TVM 1983) 4.45 Father Dowling Mysteries. 5.45 The Village. 6.10 Meridian News. 11.45 Serve You Right.
SCOTTISH: 10.10 Wemyss Bay 902101. 11.00 Link. 11.10 Sunday Morning. 11.45 Sunday Service. 12.30 Eikon. 12.40 Appeal. 12.55 Scotland Today. 2.00 Cartoon Time. 2.10 Return from the River Kwai. (1988) 4.00 The $64,000 Question. 4.30 Scotsport. 5.30 The Business Game. 6.00 The Box. 6.15 Scotland Today 11.45 Sunday Morning.
TYNE TEES: 12.25 Tyne Tees News Review. 12.30 Tyne Tees Newsweek. 2.00 Highway to Heaven. 2.55 On Fire. (1985) 4.50 Dinosaurs. 5.20 The Champions – Where Are They Now? 5.50 Tyne Tees Weekend. 10.40 Local Weather. 11.45 The Trials of Rosie O'Neill.
ULSTER: 12.30 Tomes an Traein. 12.40 Instruments. 12.55 UTV Live News 2.00 Gardening Time. 2.25 Bullseye. 2.55 Police Six. 3.05 Shane. (1953) 5.15 Murder, She Wrote. 6.10 Witness. 6.15 UTV Live Evening News 10.40 UTV Live News
WESTCOUNTRY: 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.55 Children's Island. 3.30 Westward Ho, the Wagons. (1956) 5.15 Highway to Heaven. 6.15 Westcountry Weekend Latest.
YORKSHIRE: 12.25 Newsweek. 12.50 Calendar News. 3.00 Highway to Heaven. 2.55 On Fire. (1985) 4.30 Dinosaurs. 5.20 The Champions – Where Are They Now? 5.50 Calendar News and Weather 10.40 Local Weather. 11.45 The Trials of Rosie O'Neill.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday. 1.30 The News Huddlines. 2.00 Ronnie Hilton. 3.00 Steve Race. [illegible]

BBC RADIO 3
6.55 Weather. 7.00 Record Review. [illegible]

BBC RADIO 4
6.00 News. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. [illegible]

BBC RADIO 5
6.00 World Service. [illegible]

WORLD SERVICE
BBC for Europe can be received in Western Europe on medium wave 648 kHz (463m) at these times GMT: [illegible]

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 8.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. [illegible]

BBC RADIO 3
[illegible]

BBC RADIO 4
6.00 News. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. [illegible]

BBC RADIO 5
6.00 World Service. [illegible]

WORLD SERVICE
BBC for Europe can be received in Western Europe on medium wave 648 kHz (463m) at the following times GMT: [illegible]

CHESS

MICHAEL ADAMS, 21, is Britain's number two and some believe he will do even better than Nigel Short. Now, he has moved nearer the international top rank with an unbeaten 8/11 in a strong tournament at Burgas, Bulgaria. Following this result, and his earlier successes at Biel, Switzerland, and Chalkidiki, Greece, Adams is probably among the world's 10 leading grand masters.

His Fide world rating has risen to about 2,665. This is already within catching distance of Short, who gained 13 rating points by his good resistance against Kasparov and is now at 2,678.

Adams has an uncanny instinct for finding optimum squares for his pieces. Playing White, he scored 5½/6 at Burgas, alternating impressive strategy with lively attacks like this week's game.

He is occasionally too passive. This week, he met Kasparov in a mini-match of three five-minute games at London's Savoy Theatre. Kasparov lost ou time as black – then removed his jacket and, playing white, twice crushed his young opponent.

It remains unclear if Adams can graduate to the super-elite, but this game against the world number 11 is a good omen.

(M. Adams, White; K. Georgiev, Bulgaria, Black).

1 d4 Nf6 2 Bg5 An English speciality, analysed in depth by Adams and Julian Hodgson. Ne4 3 Bf4 c5 4 f3 Nf6? The finesse Qa5+! 5 c3 Nf6 6 d5 Qb6! 7 b3 (7 Qd2? Nxd5) e6 with counterplay had uot yet reached Bulgaria.

5 d5 d6 6 e4 g6 7 Nc3 Bg7 8 Qd2 0-0 Now we have a standard position where Black's N has lost time, so Adams attacks. 9 Bh6 Bxh6 10 Qxh6 e6 11 0-0-0 exd5 12 exd5 Re8 13 Nge2 a6 14 Ng3 b5? Better Nbd7 15 Nce4 Nxe4 16 Nxe4 f5 17 Ng5 Qe7 18 Bxb5! Qe3+ 19 Kb1 Re7.

Chess No 994

See above; how did Adams (White, to move) win quickly?

Solution Page XXII

Leonard Barden

BRIDGE

WINNING Bridge, Trick by Trick, by Ron Klinger, has been re-issued by Gollancz (£8.99). Let us look at a hand:

N
♠ Q J 6
♥ A 9 8 7 5
♦ Q J 3
♣ K 4

W
♠ 10 5 4 3 2
♥ J 10 6 3
♦ 10 9 8
♣ 8

E
♠ 9 8
♥ 4 2
♦ 7 6 5 4 2
♣ J 9 5 3

S
♠ A K 7
♥ K Q
♦ A K
♣ A Q 10 7 6 2

North deals, with both sides vulnerable, and bids one heart. South bids three clubs, North raises to four clubs, South says four no-trumps – which receives the reply of five diamonds – and follows with five no-trumps. When North replies six diamonds, South concludes the auction with seven no-trumps.

West leads the 10 of diamonds, the ace wins, and you take stock. What prospects? Twelve top tricks, with good chances in hearts and clubs. Any snags? Hearts and clubs may break badly. Can this be overcome? If both clubs and hearts are held by the same hand, then a simple squeeze will operate.

Should you test hearts or clubs first? Hearts: they can be played in only one way. Cash king and queen of hearts, cross to the spade knave and cash the heart ace. East throws a diamond. Time to test clubs? No, play your other winners. Cash spade ace and king. On the second spade, East discards another diamond. Now play diamond king, cross to club king and cash queen of diamonds. On this, West shows out, throwing a spade.

Now you know East's hand. He was dealt two spades, two hearts, five diamonds and, therefore, four clubs. You return dummy's club and finesse the 10. Slam fulfilled.

E.P.C. Cotter

CROSSWORD

No. 8,293 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday November 10, marked Crossword 8,293, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 13.

Name

Address

ACROSS
1 Six, possibly, tied to a railway-line (8)
5 Racehorse group, firm of purpose (6)
10 Try leaving work for the river! (5)
11 One is fractionally above the line (9)
12 Challenged wicked adventurer (9)
13 Pulled leg – head came off – gave up! (6)
14 Set off for overhaul (6)
15 The more tricky sort of hypothesis (7)
18 Domains of New England, for example (7)
20 Odds against rail breaking in such a staircase? (6)
22 Fetch book round (5)
24 Heel caught in arras in this run-through (9)
25 Having impaired breathing, take a dandelion (cut short) and cook it (9)
26 Group harmony arrangement (5)
27 Recoil from runaway steed at opening of Thirsk (6)
28 Pair to retire and cool off – it is the custom (8)

DOWN
1 Shades of Venice in such facades? (6)
2 Suffered peace-makers on English river (9)
3 Exploding nova idea – gas, dust is harmful (15)
4 Rehearse strike? (3,4)
6 Current accounts of J., Harris & Co? (5,3,2,1,4)
7 Wild beast writer? (5)
8 Noble estates have models laid out around a river (8)
9 Charm of a hybrid on top of trellis (6)
16 As rapturous as a Gershwin work? (9)
17 Admiralty, say, for the coast (8)
19 Step out of street-lift (6)
20 Academic whose mate arrives early on board (7)
21 Like the bloomers of the Macdonald lassie – long! (6)
23 French composer's unbounded liberty (5)

Solution 8,292

CONVERSE ETIFLE
A E A T E R N
LEGATEES ISLAND
A A E N P T C O
SATIRICAL ACTOR
N E I E M I E
OPAL AWESOME
U M R N N O
NEATEST MATT
R N C E A H E
ENDUE ABSORBENT
A A D R S O A A
STRAIN REPORTER
O I N U K B V
NONEGO PRESERVE

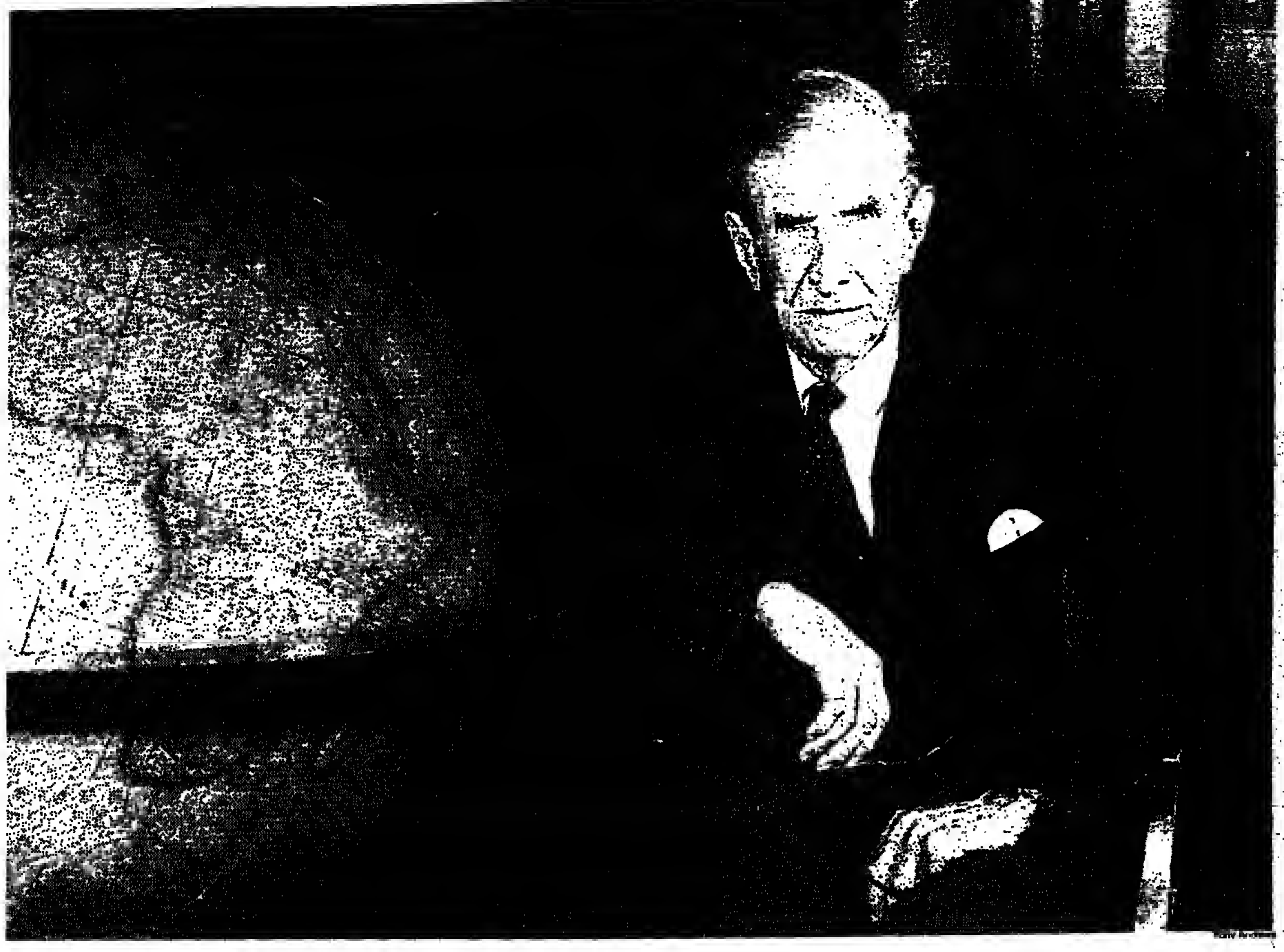
Solution 8,292

PUTOFF UNSTOP
R R A O O H
FINANCE STEROID
O V E D C N L
BROADCLOTH AGAM
I L O O T
SALVO RAWBONED
T T S A L
DROPSHOT TARRY
E A E E E
STOP IMPORTANCE
C E R S L L L
CHEROOT LIMITED
E S N L E A
RADISH OYSTER

WINNERS 8,281: C. Davidson, London W5; Frieda Marsden, Thelwall, Cheshire; M. Pierce, North Duffield, N. Yorks; J.D. Richards, Chelmsford, Essex; M. Thompson, Market Weighton, Yorks; J.A. Wood, Nairobi, Kenya.

Private View/ **Christian Tyler**

The savage in the three-piece suit



A GENTLEMAN nomad, a tribesman in a three-piece suit: Wilfred Thesiger is oxymoron personified. In London he carries a furled umbrella, at home in Africa a spear.

This ascetic, upper-class Englishman is one of the last explorers to have filled in the globe's blank spaces: you can see the desert etched into his face. Though 83, he is as tall, lean and straight-backed as the Samburu warriors of northern Kenya among whom he lives.

Wilfred Thesiger is a glorious anachronism. Where others only uttered their hatred of the modern age, Thesiger lived his. Where others only dreamed their adventures with the help of Kipling, Conrad or Buchan, Thesiger went out and created his own.

His exploits are well known: he has described them in his own spare prose and vivid black-and-white photographs. At 24 he was the first European to survive a journey among the Danakils of Abyssinia, tribesmen who showed off by killing and castrating their neighbours. He twice crossed the Empty Quarter of southern Arabia by camel. He lived for years with the marsh Arabs of Iraq (now being exterminated by Saddam Hussein). His only regret, he said, was that he did not see Tibet before its desecration.

Can the mind of an explorer be mapped? I met Wilfred Thesiger at his Chelsea flat during one of his rare visits to London and asked him if he understood why he had been so determined to risk his neck.

"No, I don't. I mean, in a sense it was born into me." As a child in Abyssinia, where his father was head of the British legation, he had been mesmerised by the savage splendour of a tribal victory parade. "Then I wanted to hunt, and to get into areas that were virtually unknown, among tribes which hadn't any contact with the outside world."

Nowadays, I said, people would look for a deeper psychological explanation.

"I wouldn't know anything about that." He smiled. But he described as "decisive" the experience of being sent home to St. Aubyn's prep school in Rottingdean, near Brighton.

"I arrived a friendly, forthcoming little boy, I think, and immediately I started telling stories about tiger hunts [in Jaipur with his uncle, Lord Chelmsford, then Viceroy of India] and being taken to see the British guns firing on the Turks near Aden, and I was regarded as a complete little liar. I was in a sense rejected by the other boys and driven back on myself."

You escaped into the wilderness because you could not feel at home in your own country?

"I didn't think in those terms."

Is there any explanation you have heard applied to you that you accept?

"No. I haven't discussed it like this before." He added: "What it did do, this rejection by my contemporaries, it spoiled Eton for me to some extent. Even there I was suspicious of the other boys and I think slightly aggressive."

He was not popular, and that perhaps was why he preferred to travel with Arabs or Africans, avoiding other Europeans. (He introduced Gavin Maxwell to the marsh Arabs. The trip was not a success).

"When I was in Arabia my great aim was to get on to level terms with these people, to live as they did, meet the challenges of the desert on equal terms. I wanted no concessions. I think to that extent I won their respect, and the result was that three or four of them identified themselves with me and were prepared to take very considerable risks."

The respect you earned from the bedouin made up for failing to win it at school?

"Again, I wouldn't be thinking in those terms. But I think it probably did."

But why, I asked, does a man choose such extraordinary physical privations: the starvation, the thirst, the tedium? It's almost masochistic.

"No, it was a life that tested one to the full. It was this desire to meet a challenge, to be tested to the full."

Thesiger had risked his life hunting lion but it was the hardship of five years in Arabia that forged him, he said, and the nobility of the desert nomads that fired him.

"All Arabs want to excel, to be known as more generous, more hospitable, brave and so on. Because it was a small society on the move everything was known. If you distinguished yourself it was 'God whiten the face of so-and-so'. If you behaved badly it would be heard everywhere."

You felt obliged to undergo this test?

"It was what satisfied me. I don't feel obliged to do it. When I went to the marshes, the Arabs didn't match up to the bedou in that sort of way. I enjoyed being with them, but the challenge was gone."

Perhaps, like the hermits of old, he went into the desert to meet his God. But no. Thesiger does not believe in a Creator, only some fundamental physical law. He went to the desert for companionship and for "the dunes of silence."

"Without the bedou it would have been a meaningless penance. If I had gone off to the North Pole I might have got associated with the Eskimos. If I had gone to the South Pole the penguins wouldn't have satisfied me." He laughed like one who rarely makes jokes.

Thesiger was a 10-year-old at prep school when his father died suddenly. His mother became obsessively devoted to her four boys. Was this a classic recipe for...? I broke off as the old man leaned forward to point to the framed photograph of a beautiful woman: "There she is, you see."

Again I elaborated the theory of the absent father and devoted mother and said: Does that make any sense to you?

"No, it all sounds complete nonsense. I mean, it wasn't anything to do with my father not being there that I had to go off and do the things I'd wanted to do while he was still with me."

The elegant clubman opposite said he felt no affinity with England, a country he has not lived in for 60 years, since his Oxford days. And he is going blind. "I couldn't bear coming back to England, going into a sort of old man's home for the blind. I'd rather live out in Kenya and be led about by them on a stick." He smiled ruefully.

He shares a mud and timber house with his adoptive Samburu family, helps officiate in circumcision rituals and – a former boxing Blue – teaches boys to box.

What drives an English gentleman to spend five harsh years wandering in the desert with the bedouin? Wilfred Thesiger, one of the last of the great explorers, considers his craving for adventure among the world's most isolated tribes

You never wanted a family yourself?

"No. To have married and everything would have crippled me – there was a girl once I was attracted by when I was almost a boy. Then you have children, they've got to be educated. I wanted complete independence."

Thesiger's sexual ambivalence is common gossip. A journalist colleague recalls meeting the explorer in the Yemen and being shown a box of dried foreskins. But I could remember nothing in print and had no idea how he would react to my next question. Thesiger took it blithely.

"I think in a curious way I had very little sexual sort of... in either direction."

Thinking of his heroes, T.E. Lawrence and Alexander of Macedon, I said many adventurers seemed to have been ambivalent.

"If you travelled in the desert as I did, how many times did we see women? You arrived in camp and the women looked after you. There was a very attractive girl on one of the wells. The others used to pull my leg about her. I was attracted by her, but you were moving about the whole time with men – and some of them were really only boys."

Hoping it sounded tactful, I asked: Do you prefer boys?

"I suppose in a sense, yes. But I am not thinking sexually. I have much more an emotional attachment because I know where I am with them. I was a boy myself. With girls I wouldn't begin to know what to talk about. I mean, I never have."

In the past people would leave England to escape the stigma of a homosexual inclination, I said. Was that your case?

"No, it certainly wasn't. In the sense that I was to some extent – I suppose I *am* to some extent – homosexual it had nothing to do with it. My whole driving thing in all this was exploration.

"No. I lived in a celibate society. I've never had much interest. I find it extraordinary when people are prepared, like the Prince of Wales with Mrs Simpson or whatever her name was, to give up everything for another person like that woman."

Thesiger had a lunch date at the Travellers Club. When I suggested it was time to wind up he demurred. "Ask as many questions as you want. It's rather interesting, your probing me like this." So I asked if he had satisfied his need for the wilderness.

"'Need's too strong. Craving. It was an urge, a craving."

You never questioned where this craving comes from?

"I don't question things. I'm not that sort of person."

You've had time to think about it, sitting in the desert under the stars at night...

"My mind doesn't work that way. You're giving me credit for being much more intellectual. I'm not an intellectual."

So you wonder why I am trying to find out why you do these things?

"I think it's a bit odd." He laughed, then added: "Let me say something. I think this is one of the reasons for all this trouble like football hooliganism. It's that most young people – young men anyway, perhaps the girls to some extent... I know nothing about 'em – want to meet a challenge, want to see how they will face up to some sort of danger. Hardship and danger. I think it's a desire that's almost born into most people. Now, kicking a football about in Battersea Park doesn't satisfy you, therefore you join a gang.

"It did at one time reintroduce tribalism into this country: the Mobs (he meant 'Mods') and the Rockers. Two quite separate tribes, dressing differently, behaving differently and fighting when they met.

"There's dissatisfaction with a world which gives them no opportunity for this. So you hang about in the streets, you paint your hair green, sit there and wait to collect money off Americans taking photos of you. I thank God that I lived when I did and that I'm not 18 today."

I have called Wilfred Thesiger a glorious anachronism. But the last word should go to Lawi Leboyare, the young father in Thesiger's adoptive family. The explorer was chiding him one day for his love of cars, transistor radios and pop music. "Of course," laughed the young man, "the truth of the matter is that you are Old Stone Age."

Travels with a twerp

Michael Thompson-Noel

Some of our dislikes are rational; others, obviously, are not. Why, I wondered this week, do I dislike twerpy Mark McCormack with such resoluteness. What has he done to me? I haven't even met him. I went to his office once, but McCormack was away travelling. So I was dealt with by an aide so ridiculously good-looking, charming and articulate that I assumed he was an android from Planet Zog.

McCormack is rich and successful, but that doesn't irritate me. I am not an envious person. His company, International Management Group (IMG), represents a large number of sports and entertainment celebrities, and has so insinuated itself into the running of sports and cultural events everywhere – merchandising, licensing, TV programming – that its influence is all-pervasive. McCormack, I am certain, deserves his success.

The best I can do to justify my dislike of him is to say that I find him one of the most banal and insensible of all sports commentators (yes, he does that as well); and that he has just produced one of the worst, most smug, most gung-ho and self-serving, most risible and stick-in-the-craw volumes of twerpish twaddle that I have set eyes on in many a long month.

It is called *Hit The Ground Running: The Insider's Guide to Executive Travel*, and has just gone on sale at the beguilingly cheeky price of £15.99. I only hope a copy does not fall into the hands of Kenneth Clarke, Britain's chancellor of the exchequer.

If it does, I have little doubt that Clarke's brain will snap and that he will vent his fury in next month's Budget by levying a stupendous rate of VAT on *all* books and newspapers. And all because of McCormack.

McCormack is, he tells us, a "global commuter" for whom a sedentary month means fewer than 10,000 air miles. "Last year, I logged over 225,000 miles on business travel – just as I have for each of the past 30 years," he crows. "I have eaten meals in more than 5,000 restaurants on six continents and stayed in hundreds of hotels in every major city."

HAWKS & HANDSAWS

Here is a bit of nonsense from Page 104. In addition to the valuable papers that must stay with them in transit, and the materials they need to read or work with, says McCormack, all smart business travellers should pack a survival kit in their carry-on luggage.

"This small bag of 'travel insurance' might include: a fresh shirt; prescription medicines; personal toiletries, including a toothbrush, deodorant, make-up, razor, comb, hairbrush, shampoo and compact hairdryer; tissues; aspirin; spare contact lenses or eye-glasses; a change of socks (or pantihose); a change of underwear."

And here is another bit of nonsense: "I think the window seat [on aircraft] promotes clear thinking. Some business travellers think that if you've seen one cloud, you've seen 'em all. But, for me, looking out over the clouds can create a mood of contemplation that channels creative ideas to the forefront."

Unfortunately, *Hit The Ground Running* seems to be selling copies. On Thursday evening I bumped into Miss Lee, my Thatcherite executive assistant. Miss Lee is a beauty, legs up to here. She was wearing one of the tightest microskirts I think I have ever seen, and was on her way to a meeting of the Blue Fuse Club in a wine bar near Chelsea barracks. In theory, the Blue Fuse Club devotes itself to Tory fund-raising; in practice, Miss Lee and her cronies drink cocktails and pick up young soldiers.

"Have to dash," said Miss Lee, breathlessly, "but everything's ready for your next trip, sweetie. I've packed you an on-board survival kit: fresh shirt, malaria pills, toothbrush, deodorant, make-up, razor, comb, hairbrush, mini-hairdryer, tissues, aspirin, socks, underwear. I've booked you a window seat so that you can watch the clouds fly past.

"And I've arranged with the hotel for you to have four telephone lines in your room – *lines*, not extensions – so that your calls to and from all six continents can flow in and out speedily and efficaciously.

"I have further informed the hotel that you will require a king-size bed with choice of pillows; swivelling reading lamps; bedside table with control console for lights, TV, radio and drapes; a real desk; an ottoman; coffee-maker; video message retrieval; teleconferencing capability; fax and computer modem capability; CNN; and in-room private safe.

"Each night I'll send you a *'headline fax'* – highlights of the previous business day. You are up and running, tiger. Mark H. McCormack would be proud of you."

THE

FINANCIAL TIMES

1,000

A GUIDE TO SECONDARY EDUCATION

AUTUMN 1993

Cover shows pupils at Sevenoaks School, Kent Picture: Colin Beere